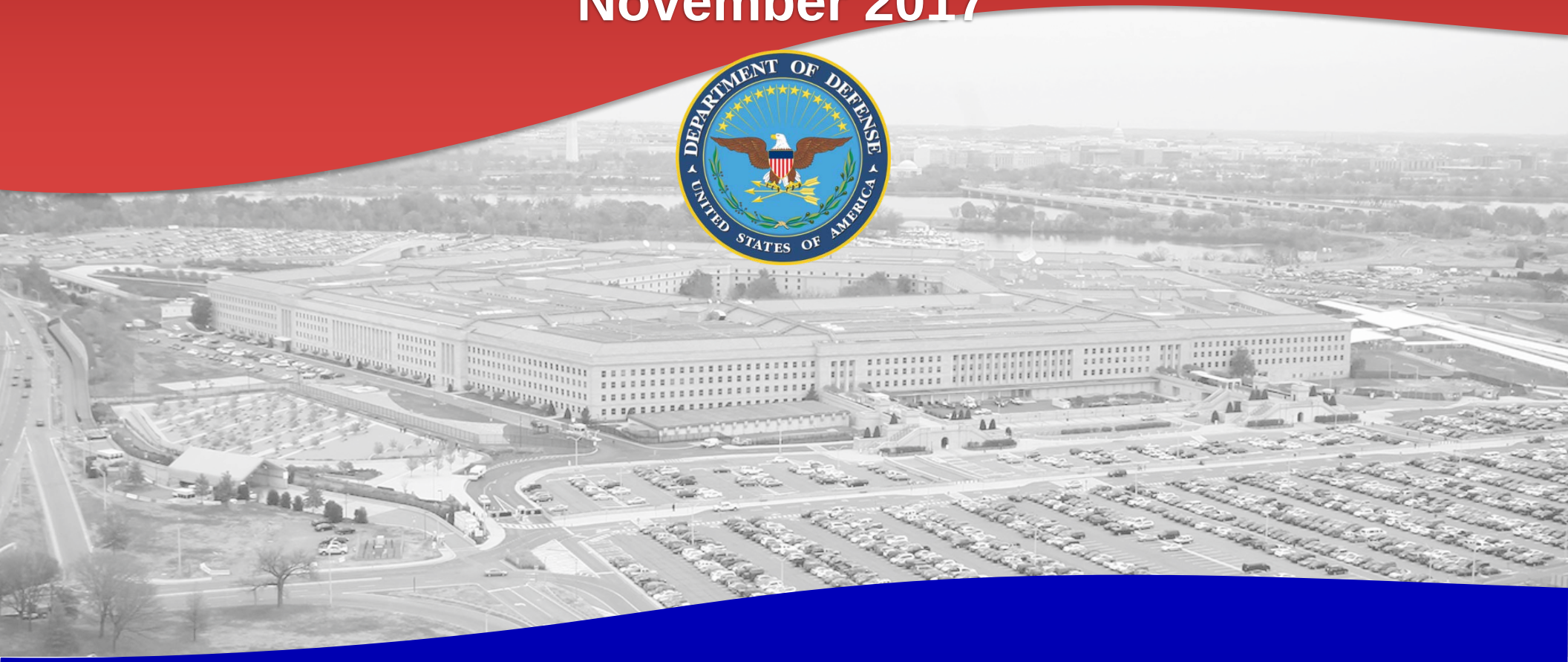
Financial Improvement and Audit Readiness (FIAR) Plan Status Report

November 2017



OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) / CHIEF FINANCIAL OFFICER

United States Department of Defense

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Message from the Under Secretary of Defense (Comptroller)/ Chief Financial Officer

This will be the last Financial Improvement and Audit Readiness (FIAR) Report focused on "audit readiness." In fiscal year 2018, we are placing the Department of Defense under full financial statement audit. In beginning these audits, we are complying with Congress' mandate, fulfilling an important promise made by the President, and beginning to collect the kind of objective auditor feedback we need to support the Secretary's business reform line of effort.

I am genuinely enthusiastic to begin these audits, even though they will not be easy. The Department's assets total more than $2 trillion, making this likely the largest financial audit ever undertaken. Along with sheer size, there exists significant complexity. However, these are not reasons to delay the audit; they are reasons to begin. Where we find problems, we will also find opportunities. Remediating audit findings is at the center of our financial improvement strategy. As our data and systems become more reliable, we will be able to use that information to optimize our processes and foster lasting change. In this way, we strive to make the most of every dollar we spend and generate future opportunities for savings that will benefit the warfighter. Portions of the Department have been under audit for some time. Several entities have already achieved positive audit opinions. Over time, we will build on that success.

As the Comptroller, I have the honor of leading a team of experienced professionals dedicated to protecting the Nation's security and protecting the taxpayers' money. I am proud to serve this nation and support the men and women who are doing all they can to keep America safe.

David L. Norquist
Under Secretary of Defense (Comptroller)/
Chief Financial Officer

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Message from the Deputy Chief Management Officer

In fiscal year (FY) 2018, the Department of Defense (DoD) will begin auditing its full financial statements. These audits are the culmination of many years of hard work—documenting processes, strengthening internal controls, and testing and improving the reliability of our systems. But it is time we open our books to the scrutiny of an independent auditor.

Full financial statement audits directly support our mission to optimize our business environment. Findings from both the stand-alone audits and the DoD consolidated audit enable us to target improvements on areas that will make the best use of limited resources and effect positive change. Through these audits and the rigor they require, we will be able to institute continual improvement to our financial information that not only moves us closer to a clean audit opinion, but more critically, enables us to improve our financial performance. Together with our recently launched initiative to assess cost across our enterprise, our financial management efforts are bringing us closer to business excellence.

I am proud to work alongside the men and women who have worked so diligently to get us to this point. It is through their continued hard work that we will achieve Secretary Mattis' direction to bring business reforms to the Department. Change is not easy, especially at what is arguably the largest organization in the world. However, we have turned an important corner, and our vision for institutional reform to support warfighter success is in reach. We owe it to our troops and the American people.

David Tillotson III
Assistant Deputy Chief Management Officer

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The FIAR Plan Status Report was prepared in accordance with section 1003 of the National Defense Authorization Act for Fiscal Year 2010, as amended.

Preparation of this report cost the Department of Defense approximately $180,000.

Executive Summary

At the Department of Defense (DoD), the commitment and drive for good stewardship starts at the top with Secretary James N. Mattis and Deputy Secretary Patrick M. Shanahan. Many reforms are already underway, and, over the next several years, the Department will continue to seek reforms that produce real savings that can be reinvested in meeting the warfighters' needs.

In 1990, Congress passed the Chief Financial Officer Act, which, as amended, requires the 24 largest federal agencies to complete independent annual financial statement audits. Audits are not new to the Department. Numerous audits covering program performance and contract costs are completed annually by the Government Accountability Office (GAO), the Defense Contract Audit Agency (DCAA), the Department of Defense Inspector General (DoD IG), and the services' audit agencies. However, the requirement to complete an audit of the full financial statements was new.

For many years, DoD remained the only large federal agency not under annual full financial statement audit. The size and complexity of the Department made meeting this new requirement especially challenging. But the size and complexity are not reasons to delay the audit, they are reasons to begin.

UNDER FULL AUDIT

On September 27, 2017, Secretary Mattis and Under Secretary of Defense (Comptroller) (USD(C))/Chief Financial Officer (CFO) David L. Norquist notified the DoD IG that the financial statements were "ready for audit." Secretary Mattis also notified Congress, and Deputy Secretary Shanahan issued an all-hands memorandum underscoring the importance of these audits. (See Appendix 1: Full Financial Statement Audit Notification Letters and Memoranda).

Deputy Defense Secretary Pat Shanahan is formally sworn into office by Defense Secretary Jim Mattis during a ceremony in the Pentagon in Washington, D.C. (DoD photo by Army Sgt. Amber I. Smith)

"These audits will give you, your commanders, and your leaders the reliable information you need to set things right—to exercise your judgment and meet your mission."

– Deputy Secretary Patrick M. Shanahan
September 27, 2017
Memorandum to All Defense Military and Civilian Employees

Going under a DoD-wide, full financial audit fulfills the President's promise and underscores Secretary Mattis' commitment to business reform and improved readiness. For the first time, the Department will complete an independent full audit across its business processes and systems, as required by law. (See Appendix 2: Frequently Asked Questions About the DoD Audit.)

VALUE OF AUDIT

For years, the Department has received a disclaimer of opinion on the DoD-wide financial statements from the DoD IG. These disclaimers were based on management's assertions, not independent audit testing. Results of the fiscal year (FY) 2018 DoD-wide financial statement audit and all future audit opinions will be based on auditor testing performed by independent public accounting (IPA) firms. In the event of an adverse or disclaimer of opinion on any statements, the IPA and the DoD IG will modify the audit approach to continue making recommendations to management for improving controls, systems, and areas material to the audit. Achieving a clean audit opinion will take time, but the value of audits is in the journey.

Financial statement audits give management independent validation and feedback on the effectiveness of each reporting entity's business systems, processes, and controls. Component managers use that information to identify root causes of deficiencies and prioritize remediation work. Component leadership and DoD leadership can use root cause information to manage risk and make strategic decisions, such as allocating resources, deploying new systems, and implementing new policies. Annual audits also facilitate change management by spotlighting continual improvement through the successful remediation of findings.

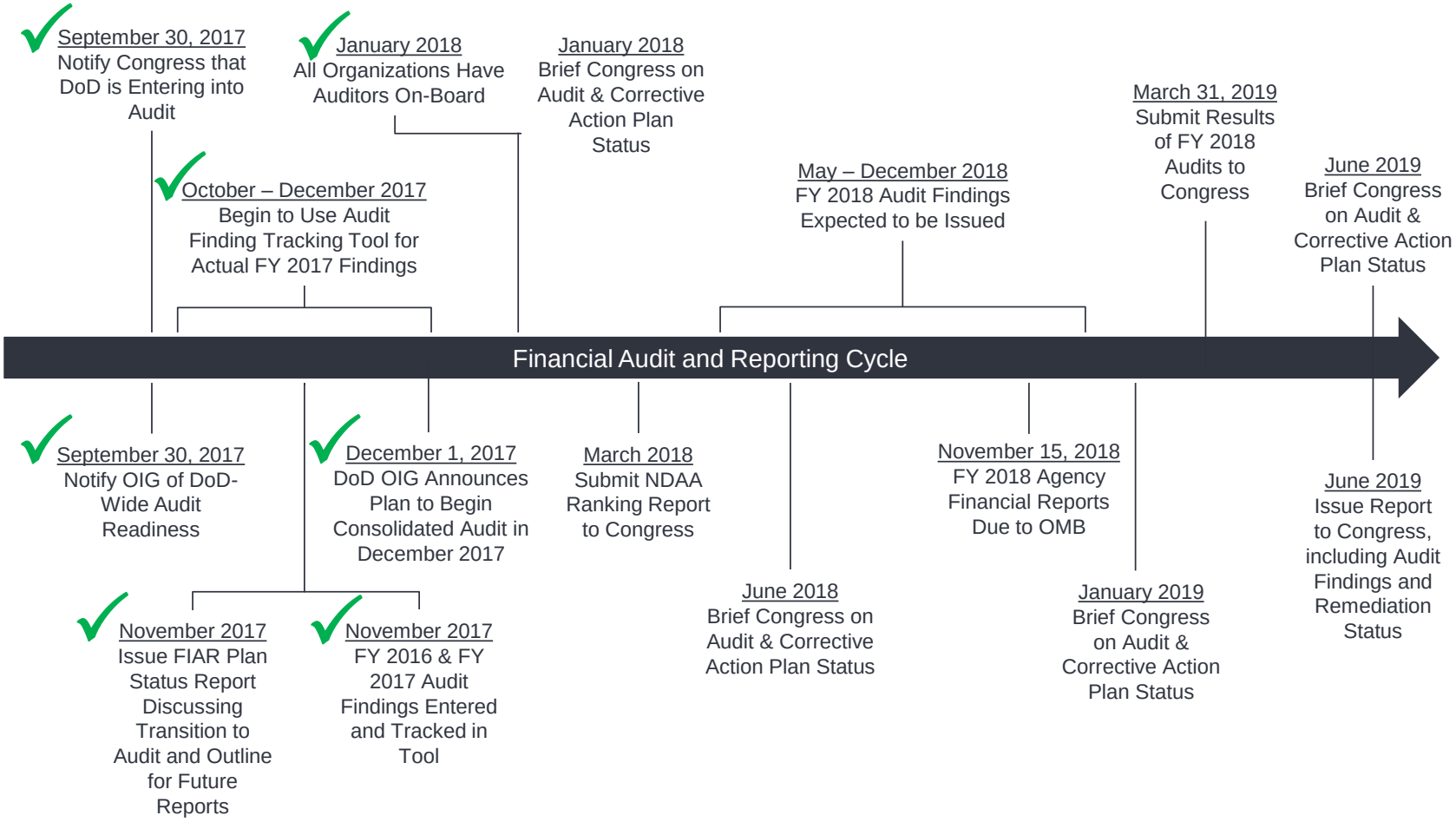
Remediating audit findings from the full financial statement audits is at the core of DoD's audit strategy and the most certain and cost-effective path to achieving a clean audit opinion. As reporting entities remediate audit findings and improve overall financial management processes and information, decision-makers are given access to more reliable and timely information.

THE AUDIT TIMELINE

In FY 2017, the Department began onboarding teams of auditors. By January 2018, all full financial statement audit contracts will have been awarded. Although the level of auditor activity will start slow while the auditors design testing protocols, audit activity will pick up speed in Quarter 3 of FY 2018, when the auditors begin testing and providing initial feedback.

Figure ES-1 on the following page shows the audit timeline over the next 24 months. Each year, the books are closed and financial reports produced as of September 30. By each November 15, the final audit report is issued as part of the Agency Financial Report. This process is repeated each year, becoming a regular part of the DoD business landscape.

Figure ES-1. DoD Consolidated Financial Statement Audit Timeline Over the Next 24 Months



AUDIT RESOURCES

The Components and the DoD IG have programmed substantial resources to conduct audits and support the remediation of findings. Figure ES-2 shows resources associated with the FY 2017 and FY 2018 audits. Resource needs will likely increase for a few years after FY 2018 as work to correct audit findings increases. However, the amount of resources needed for audit activities is expected to decline as corrective actions are closed and annual audits become a standard part of DoD's business practices.

The figure shows total DoD resources as dedicated to:

Audit Remediation. Includes the cost of dedicated government full-time equivalents and contractor staff who complete corrective actions, such as modifying process and controls; and the cost of implementing manual controls when no system change request exists.

Audits and Examinations. Includes the cost of dedicated government full-time equivalents and contractor staff who support IPA audits and examinations; and the cost of IPA contracts to perform the financial statement audits and examinations.

Financial Systems. Includes costs to make changes to legacy and target systems (including ERPs) that will be part of the DoD systems environment. Costs may include design; development; interfaces; data conversion and cleansing; validation and testing; automating controls and control testing; and documenting systems and processes. It also includes the costs of deploying new systems but does not include ERP deployments. (See Appendix 3. The DoD Information Technology (IT) Systems Environment for ERP deployment costs and more information on systems.)

Internal Controls and Sustainment. Includes all costs of sustaining an internal controls program, including risk assessment, internal control assessment, corrective action plan development, and internal controls reporting.

Figure ES-2. Total DoD Audit Resources (Dollars in Millions)

	FY 2017	FY 2018
Audit Remediation	$354	$368
IPA Audits and Examinations	$250	$367
Financial Systems (includes ERP system changes but not deployments)	$141	$135
Internal Controls and Sustainment	$41	$48
Total Resources	**$786**	**$918**

Note: Numbers may not sum to total due to rounding.

REPORT LAYOUT

The November 2017 Financial Improvement and Audit Readiness (FIAR) Plan Status Report provides information on the DoD audit strategy, audit resource information, and outcomes of initial audits. This will be the last FIAR Report focused on "audit readiness." Future reports will focus on findings from full financial statement audits and remediation activities. This report comprises:

Section I. The DoD Audit Strategy includes details on the consolidated audit strategy and audit structure. The Department's strategy for remediating audit findings and monitoring progress is also detailed here. Resources dedicated to audits, audit remediation activities, financial systems, and internal controls; and overview charts of the reporting entities can also be found in Section 1.

Section II. Initial Audits: Findings and Lessons Learned presents results of initial audits, those audits conducted prior to the start of FY 2018. Information on the Military Services is presented first, followed by information on the other defense organizations, and service providers.

Appendix 1. Full Financial Statement Audit Notification Letters and Memoranda includes the memorandum from Secretary of Defense James N. Mattis, and Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD(C)/CFO) David L. Norquist to the DoD IG asserting the Department's full financial statements are ready for audit; memorandum from Deputy Secretary Shanahan to all DoD military and civilian employees about the importance of audit; and letters from Secretary Mattis to the chairs of DoD Congressional oversight committees notifying Congress that the Department is beginning full financial statement audits.

Appendix 2. Frequently Asked Questions About the DoD Audit provides answers to questions on audit basics, the DoD audit, and legislative requirements and regulatory standards.

Appendix 3. The DoD IT Systems Environment includes a chart showing each system relevant to audit by system owner and user. A brief description of each ERP system and the cost of deployment are also included in this appendix.

Appendix 4. HASC Panel Defense Financial Management and Auditability Reform Recommendations provides an update on the Department's status in meeting the recommendations of the House Armed Services Committee (HASC) Panel on Defense Financial Management and Auditability Reform.

Appendix 5. Acronyms defines acronyms used in this report.

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I. The DoD Audit Strategy

The Department will begin a consolidated DoD-wide financial statement audit in FY 2018. These full financial statement audits are very valuable to DoD's strategic priority to transform its business processes. The audits will provide, for the first time, an independent assessment of DoD processes. They will produce findings and highlight opportunities for improvement. Audit findings will help Department leaders prioritize corrective actions and track progress, and give them the tools they need to hold people accountable for improvements.

Audits also ensure Department leaders have visibility over the counts, locations, and conditions of DoD property. That relates directly to readiness and making programming, investment, and budgeting decisions. The Department will measure and report progress toward achieving a clean audit opinion over the next several years using an objective measure: the closure of audit findings.

SUSTAINING POSITIVE OPINIONS

The U.S. Army Corps of Engineers, the DoD Office of Inspector General (DoD OIG), as well as seven defense agencies and funds, are already sustaining positive opinions on their full financial statements. The Military Retirement Fund sustained its 22nd consecutive unmodified opinion, and the Defense Finance and Accounting Service (DFAS) sustained its 17th consecutive unmodified audit opinion on the DFAS Working Capital Fund financial statement. In July 2017, the Defense Information Systems Agency (DISA) received an unmodified opinion on its FY 2016 Working Capital Fund financial statements, and a modified opinion on its FY 2016 General Fund financial statements.

Figure I-1 lists the Components that have received positive audit opinions on their financial statements.

Figure I-1. Financial Statement Audit Opinions

Unmodified Audit Opinions
U. S. Army Corps of Engineers – Civil Works
Defense Commissary Agency
Defense Contract Audit Agency
Defense Finance and Accounting Service – Working Capital Fund
Defense Health Agency – Contract Resource Management
Defense Information Systems Agency – Working Capital Fund (FY 2016)
Military Retirement Fund
Office of Inspector General
Modified Audit Opinions
Defense Information Systems Agency – General Fund (FY 2016)
Medicare-Eligible Retiree Health Care Fund

THE DOD CONSOLIDATED AUDIT STRATEGY

The DoD consolidated audit will assess all four financial statements and include activity for both General Funds and Working Capital Funds. It will likely be the largest audit ever undertaken and comprises more than 24 stand-alone audits and an overarching consolidated audit. For audit purposes, each reporting entity was assigned to one of four tiers based on materiality:

Tier 1 – Military Services and the Military Retirement Trust Fund

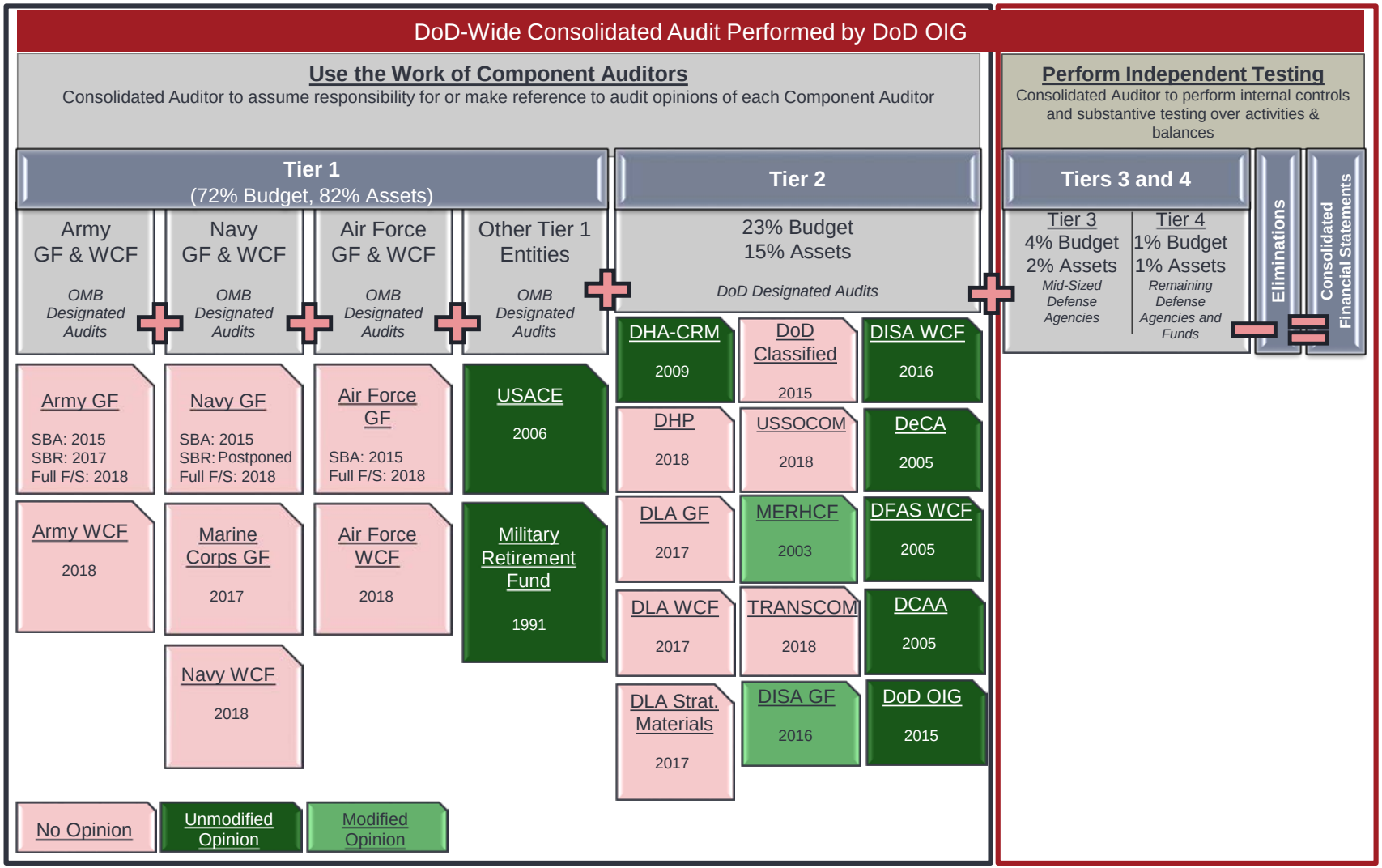
Tier 2 – Large Defense Agencies

Tier 3 – Mid-Sized Defense Agencies

Tier 4 – Remaining Defense Agencies and Funds

Figure I-2 on the following page shows the DoD consolidated audit structure by tiers and reporting entities.

Figure I-2. The DoD Consolidated Audit Structure

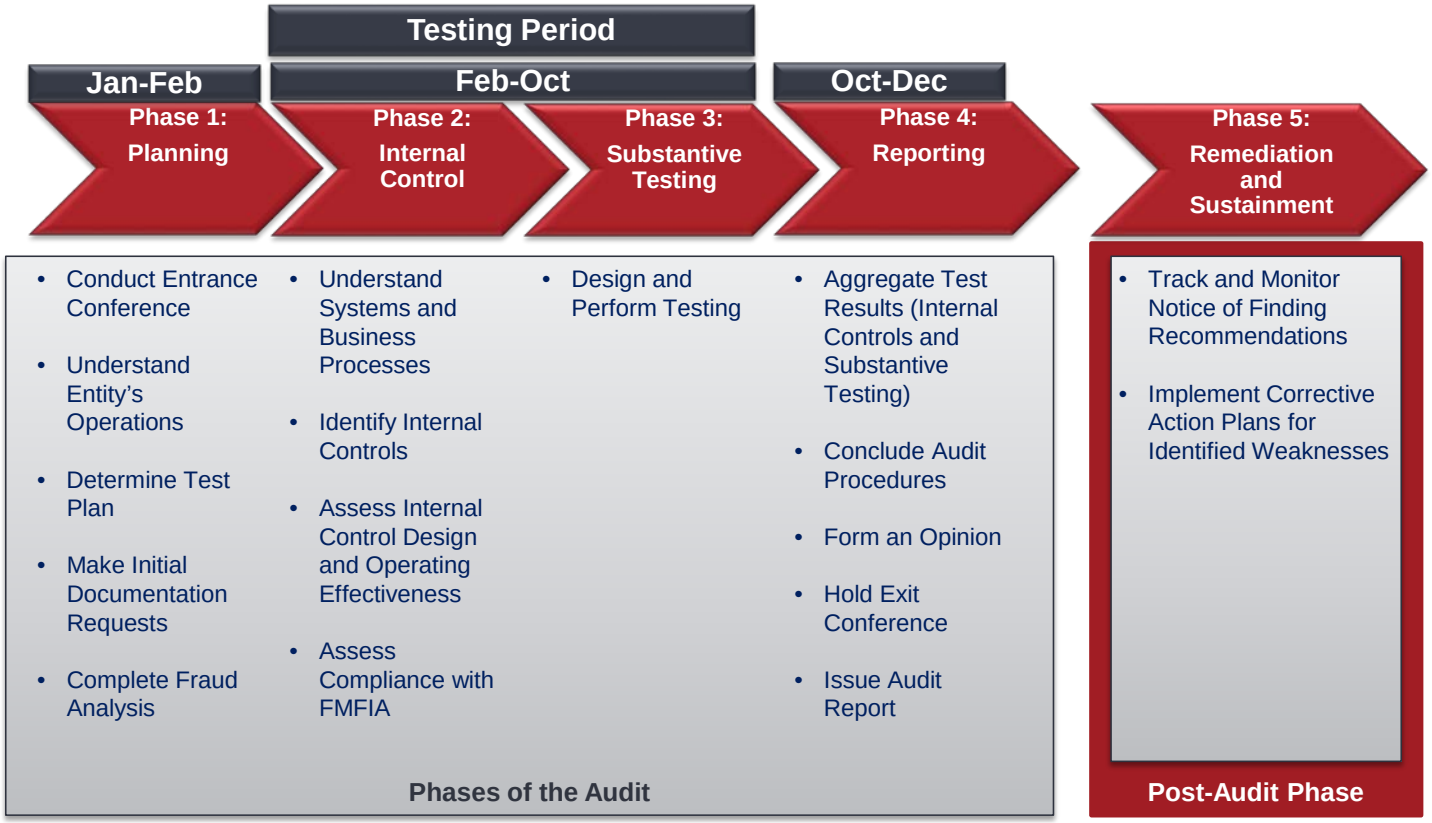


Note: Percentages of Budget and Assets are based on FY 2016 DoD financial statements.

Each Tier 1 and Tier 2 reporting entity will undergo a stand-alone audit of its financial statements. Tier 3, Tier 4, and elimination entries (those intragovernmental and intra-departmental balances that must be eliminated during the consolidation process) will be subject to internal controls and substantive testing. The DoD OIG will audit the DoD consolidated financial statements and will rely on the results of the stand-alone audits to assist with rendering a final opinion.

Audits will recur annually, in repeatable phases as shown in Figure I-3.

Figure I-3. Phases of Annual Audits



SERVICE PROVIDER SUPPORT FOR AUDITS

Service providers perform a variety of functions and services for DoD Components, including accounting and finance; asset acquisition, storage, and issuance; contract management; IT system operations and hosting; and real property construction. To support a DoD customer's audit, a service provider must obtain reasonable assurance their controls and IT systems are effective.

Service providers that provide common, standard services often obtain an IPA examination on controls in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 18, "Attestation Standards: Clarification and Recodification." The IPA provides the results of the examination in a SOC 1 Report (System and Organization Controls Report). In FY 2005, only two examinations were completed. In FY 2017, 17 SSAE No. 18 examinations were completed—12 resulted in unmodified opinions, 4 resulted in modified opinions, and the result of 1 examination has not been issued. Two new examinations are planned for FY 2018.

Results of SSAE No. 18 examinations can be used by the financial statement auditors of a service provider's DoD customers as evidence the service provider's controls are designed and operating effectively. This reduces redundant testing of those controls, and saves time and money.

Audit Remediation

Remediating audit findings has already resulted in benefits, including discovery of Real Property and General Equipment not recorded in the proper system and freeing up money previously obligated but not executed. Progress will be measured through the annual audit process and auditor confirmation that an audit finding is closed.

Figure I-4 on the following page shows the annual audit feedback cycle.

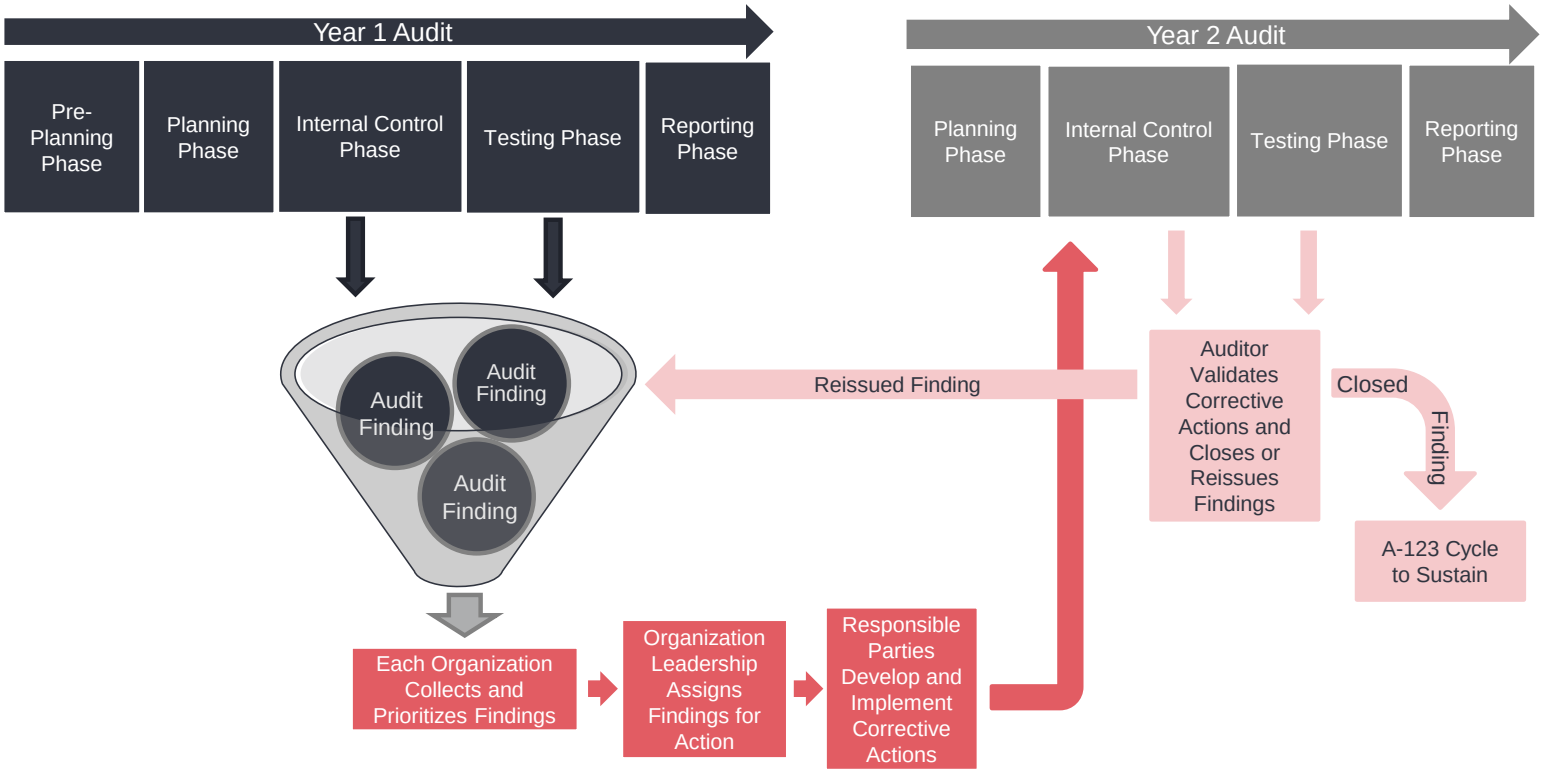
ODCFO NFR Database

In order to track and report corrective actions, as well as share best practices, the Department must be able to tie audit findings from one audit to findings from another audit. All future auditor-issued notices of findings and recommendations (NFRs) will be housed in a centralized database owned and maintained by the Office of the Deputy Chief Financial Officer (ODCFO). The ODCFO worked closely with the DoD OIG, IPAs, and other stakeholders to establish functional, technical, access, and system requirements while protecting the independence of each IPA.

After completing an audit or SSAE No. 18 examination, the IPA loads the final NFRs and related conditions into the ODCFO NFR Database. Each NFR must be aligned to a DoD-wide weakness area. When applicable, the IPA aligns the conditions of the finding to the IT system or systems, and to the type of IT control, such as access controls, interface controls, or segregation of duties. The IPA will use the database to issue new NFRs, re-issue an ongoing NFR, or close a successfully remediated NFR.

In September 2017, ODCFO demonstrated the final database to GAO, DoD OIG, and IPAs. After completing internal testing and instituting user training, the ODCFO NFR Database went live October 1, 2017.

Figure I-4. DoD's Audit Feedback Cycle



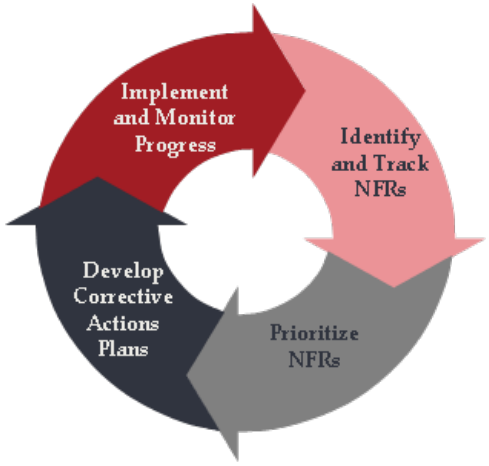
Correcting Audit Findings

The ODCFO NFR Database requires reporting entities to tie each condition of an NFR to a contributing and responsible organization. This assigns ownership of each contributing issue and respective remediation strategy to an individual organization or command and ensures accountability closest to the root cause.

The responsible organization then develops a corrective action plan or plans and associated milestones for correcting that condition. Details of the corrective action plans are maintained at the Component level, however, status information is entered in the database.

Each reporting entity must regularly report progress on implementing their corrective actions plans. The FIAR Governance Board and Department leadership monitor progress. Going forward, the Department will have improved visibility into the pervasiveness of deficiencies and be better able to monitor NFRs, conditions, and corrective action plans, and report status.

Figure I-5. NFR Remediation and Monitoring Cycle



Audit Resources

The Components and the DoD IG have programmed substantial resources to conduct audits and remediate findings. Figures I-6 – I-11 on the following pages show resources associated with the FY 2017 and FY 2018 audits. Resource needs will likely increase for a few years after FY 2018 as work to correct audit findings increases. However, the amount of resources needed for audit activities is expected to decline as corrective actions are closed and annual audits become a standard part of DoD's business practices. The figures show resources for each Military Service and other reporting entities, and total DoD resources and as dedicated to:

Audit Remediation. Includes the cost of dedicated government full-time equivalents and contractor staff who complete corrective actions, such as modifying process and controls; and the cost of implementing manual controls when no system change request exists.

Audits and Examinations. Includes the cost of dedicated government full-time equivalents and contractor staff who support IPA audits and examinations; and the cost of IPA contracts to perform the financial statement audits and examinations.

Financial Systems. Includes costs to make changes to legacy and target systems (including ERPs) that will be part of the DoD systems environment. Costs may include design; development; interfaces; data conversion and cleansing; validation and testing; automating controls and control testing; and documenting systems and processes. It also includes the costs of deploying new systems but does not include ERP deployments. (See Appendix 3. The DoD IT Systems Environment for ERP deployment costs and more information on systems.)

Internal Controls and Sustainment. Includes all costs of sustaining an internal controls program, including risk assessment, internal controls assessment, corrective action plan development, and internal controls reporting.

Figure I-6. Army Audit Resources (Dollars in Millions)

	FY 2017	FY 2018
Audit Remediation	$34	$47
IPA Audits and Examinations	$50	$75
Financial Systems (includes ERP system changes but not deployments)	$20	$17
Internal Controls and Sustainment	$2	$2
Total Resources	**$107**	**$141**

Note: Numbers may not sum to total due to rounding.

Figure I-7. Navy Audit Resources (Dollars in Millions)

	FY 2017	FY 2018
Audit Remediation	$107	$100
IPA Audits and Examinations*	$54	$64
Financial Systems (includes ERP system changes but not deployments)	$63	$73
Internal Controls and Sustainment	$6	$6
Total Resources	**$230**	**$243**

* Includes the costs of the Marine Corps IPA audit contracts.
Note: Numbers may not sum to total due to rounding.

Figure I-8. Air Force Audit Resources (Dollars in Millions)

	FY 2017	FY 2018
Audit Remediation	$34	$52
IPA Audits and Examinations*	$33	$75
Financial Systems (includes ERP system changes but not deployments)	$17	$17
Internal Controls and Sustainment	$8	$16
Total Resources	**$92**	**$160**

* Audit costs tie to the year of the audit not the year in which the funds were obligated. Therefore, audit costs obligated and previously reported as FY 2017 costs are now captured in the costs of the FY 2018 audit.
Note: Numbers may not sum to total due to rounding.

Figure I-9. Marine Corps Audit Resources (Dollars in Millions)

	FY 2017	FY 2018
Audit Remediation	$23	$34
IPA Audits and Examinations*	$13	$13
Financial Systems (includes ERP system changes but not deployments)	$1	$1
Internal Controls and Sustainment	$3	$3
Total Resources	**$40**	**$52**

* Includes costs associated with supporting the Marine Corps audits but does not include the costs of the IPA audit contracts.
Note: Numbers may not sum to total due to rounding.

Figure I-10. Other Reporting Entities Audit Resources (Dollars in Millions)

	FY 2017	FY 2018
Audit Remediation	$156	$134
IPA Audits and Examinations	$100	$140
Financial Systems (includes ERP system changes but not deployments)	$39	$26
Internal Controls and Sustainment	$22	$21
Total Resources	**$318**	**$321**

Note: Numbers may not sum to total due to rounding.

Figure I-11. Totol DoD Audit Resources (Dollars in Millions)

	FY 2017	FY 2018
Audit Remediation	$354	$368
IPA Audits and Examinations	$250	$367
Financial Systems (includes ERP system changes but not deployments)	$141	$135
Internal Controls and Sustainment	$41	$48
Total Resources	**$786**	**$918**

Note: Numbers may not sum to total due to rounding.

Overview of Reporting Entities

The charts on the following pages provide a snap-shot of each reporting entity that is completing a stand-alone audit. For reporting entities already sustaining a positive audit opinion, the charts show:

- Number of audits being performed
- Size of the reporting entity in FY 2016 total Budgetary Resources and total assets
- Current audit opinions
- Full financial statement audit contract status
- Audit history
- General overview of the reporting entity's systems environment

For all other reporting entities, the charts include all of the above as well as a pie chart indicating the status of IPA assessments of systems relevant to their audit. The IPA in these charts refers to the system owner's IPA. Systems already assessed by the system owner's IPA are shown as either "controls effective" or "controls not effective." Systems not yet assessed by the system owner's IPA are shown as "controls not assessed."

Reporting entities already sustaining a positive audit opinion are listed first. Military Services are listed next. Other reporting entities completing stand-alone audits follow the Military Services.

U.S. Army Corps of Engineers

1 Stand-Alone Audit: The Corps of Engineers manages only Civil Works Funds

Size: $28.3 billion total Budgetary Resources and $57.2 billion total assets

Current Audit Opinions: Unmodified opinion, Civil Works

Full Financial Statement Audit Contract Status: Continuing full financial statement audit in FY 2018

Audit History: Under full financial statement audit since FY 2006

Systems Environment: The Corps of Engineers systems environment is part of the Army's systems environment. Because the Corps is sustaining an unmodified opinion, systems are not separately tracked.

Defense Commissary Agency (DeCA)

1 Stand-Alone Audit

Size: $7.3 billion total Budgetary Resources and $2.4 billion total assets

Current Audit Opinions: Unmodified opinion

Full Financial Statement Audit Contract Status: Continuing full financial statement audit in FY 2018

Audit History: Under full financial statement audit since FY 2005

Systems Environment: DeCA continues to implement the Enterprise Business System to modernize worldwide retail business operations in its 240 commissaries. In FY 2021, DeCA will migrate to DAI, which is a fully compliant ERP.

Defense Contract Audit Agency (DCAA)

1 Stand-Alone Audit

Size: $645.3 million total Budgetary Resources and $101.9 million total assets

Current Audit Opinions: Unmodified opinion

Full Financial Statement Audit Contract Status: Continuing full financial statement audit in FY 2018

Audit History: Under full financial statement audit since FY 2005

Systems Environment: DCAA systems were designed to support reporting requirements for maintaining accountability over assets and reporting the status of federal appropriations. Systems were not designed for preparing financial statements in accordance with GAAP, and DCAA has been unable to implement fully GAAP and OMB Circular A-133. In FY 2018, DCAA migrated to DAI, which is a fully compliant ERP.

Defense Finance and Accounting Service (DFAS)

1 Stand-Alone Audit: DFAS audit includes only Working Capital Funds

Size: $1.5 billion total Budgetary Resources and $467.2 million total assets

Current Audit Opinions: Unmodified opinion

Full Financial Statement Audit Contract Status: Continuing full financial statement audit in FY 2018

Audit History: Under full financial statement audit since FY 2005

Systems Environment: DFAS continues to modernize the eBiz system so that it is fully compliant.

Defense Health Agency – Contract Resource Management (DHA-CRM)

1 Stand-Alone Audit

Size: $15.9 billion total Budgetary Resources and $1.8 billion total assets

Current Audit Opinions: Unmodified opinion

Full Financial Statement Audit Contract Status: Continuing full financial statement audit in FY 2018

Audit History: Under full financial statement audit since FY 2009

Systems Environment: DHA-CRM administers the Purchased Care Program, which includes a huge volume of claims processed by three regional health care contractors, the TRICARE dual eligible fiscal intermediary contractor, a foreign claims contractor, and a pharmaceutical contractor. DHA E-Commerce System improves DHA's core financial, contracting, and business processes by providing an integrated financial and contracting system.

Defense Information Systems Agency (DISA)

2 Stand-Alone Audits: General Funds and Working Capital Funds

Size: $11.0 billion total Budgetary Resources and $4.2 billion total assets

Current Audit Opinions: Unmodified opinion on FY 2016 Working Capital Fund financial statements; Modified opinion on FY 2016 General Fund financial statements

Full Financial Statement Audit Contract Status: Continuing full financial statement audits in FY 2018

Audit History: Received positive opinions on the FY 2012 General Fund financial statements, and the FY 2011 and FY 2012 Working Capital Fund financial statements. The FY 2016 audits were completed in July 2017. To complete an in-cycle FY 2018 audit, DISA did not undergo FY 2017 audits.

Systems Environment: DISA is working with DLA to deploy DAI to replace its legacy General Fund accounting system in FY 2019. DISA will also migrate its Working Capital Fund to an SFIS compliant system in FY 2019.

Medicare-Eligible Retiree Health Care Fund (MERHCF)

1 Stand-Alone Audit

Size: $13.0 billion total Budgetary Resources and $240.2 billion total assets

Current Audit Opinions: Modified opinion

Full Financial Statement Audit Contract Status: Continuing full financial statement audit in FY 2018

Audit History: Under full financial statement audit since FY 2003

Systems Environment: MERHCF relies on systems owned and operated by others. Systems in the DoD-managed Military Treatment Facilities cannot support accumulation of costs of direct care provided to MERHCF beneficiaries or perform accrual-based accounting. Military Health Syste is developing a new electronic health record to address findings related to direct care.

Military Retirement Fund (MRF)

1 Stand-Alone Audit

Size: $143.4 billion total Budgetary Resources and $660.0 billion total assets

Current Audit Opinions: Unmodified opinion

Full Financial Statement Audit Contract Status: Continuing full financial statement audit in FY 2018

Audit History: Began full financial statement audits in FY 1991; no audits were conducted in FY 1993 and FY 1994

Systems Environment: MRF does not own any systems; all systems relevant to the MRF audit are owned and maintained by other organizations.

Department of Defense Office of Inspector General (DoD OIG)

1 Stand-Alone Audit

Size: $371.6 million total Budgetary Resources and $95.3 million total assets

Current Audit Opinions: Unmodified Opinion

Full Financial Statement Audit Contract Status: Continuing full financial statement audit in FY 2018

Audit History: Under full financial statement audit since FY 2015

Systems Environment: The DoD OIG relies on a variety of systems owned by other organizations to record, summarize, and report financial information. In FY 2017, DoD OIG migrated to DAI, which is a fully complaint ERP, and retired WAAS.

Army

2 Stand-Alone Audits: General Funds and Working Capital Funds

Size: $233.4 billion total Budgetary Resources and $312.4 billion total assets

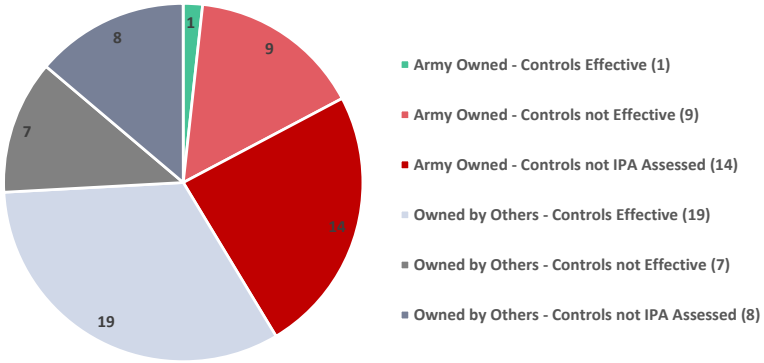
Current Audit Opinions: Disclaimer

Full Financial Statement Audit Contract Status: Audit contract awarded in FY 2016. Will begin full financial statement audits in January 2018

Audit History: Began General Funds Schedule of Budgetary Activity audits in FY 2015; Began General Funds and Working Capital Funds Statements of Budgetary Resources and several lines of the Balance Sheet audits in FY 2017

Systems Environment: Initial audits found Army policies and processes were deficient in segregation of duties, periodic user access reviews, creation of user accounts, user access listings of development, and database user access provisioning. There was also a lack of standard business processes in GFEBS posting. Of the 328 IT-related corrective action plans designed to address initial audit findings, 59 percent of supporting milestones are complete.

Status of IPA Assessments of Systems Relevant to the Army Audit:



Navy

2 Stand-Alone Audits: General Funds and Working Capital Funds

Size: $225.9 billion total Budgetary Resources and $600.9 billion total assets

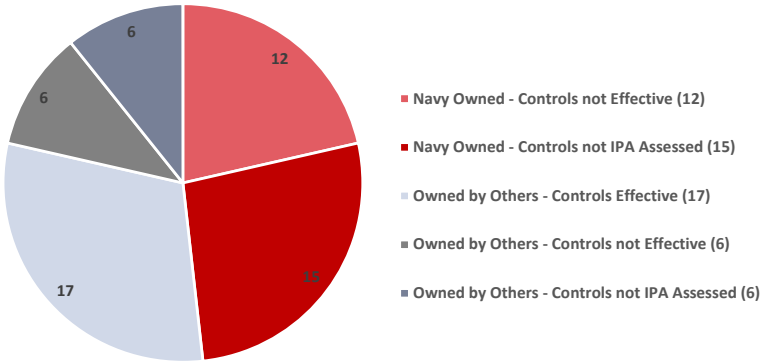
Current Audit Opinions: Disclaimer

Full Financial Statement Audit Contract Status: FY 2018 audit contract awarded July 2017

Audit History: Began General Funds Schedule of Budgetary Activity audits in FY 2015

Systems Environment: Initial audits found Navy policies and processes were deficient in segregation of duties, periodic user access reviews, creation of user accounts, user access listings of development, and database user access provisioning. Segregation of duty controls needed improvement in Navy ERP. Of the 89 IT-related corrective action plans designed to address initial audit findings, 34 percent of supporting milestones are complete.

Status of IPA Assessments of Systems Relevant to the Navy Audit:



Marine Corps

1 Stand-Alone Audit: Marine Corps audit includes only General Funds

Size: $25.7 billion total Budgetary Resources and $39.5 billion total assets

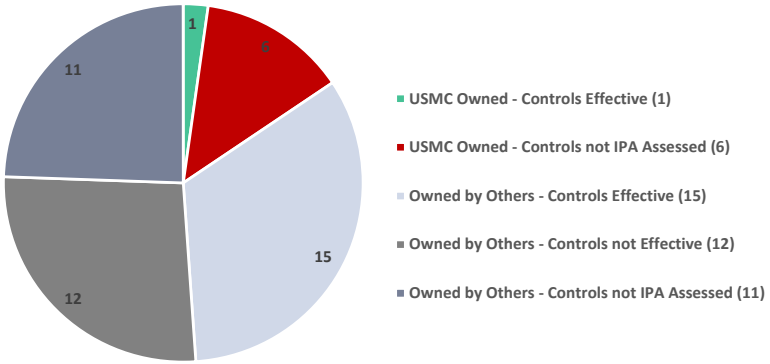
Current Audit Opinions: Disclaimer

Full Financial Statement Audit Contract Status: Continuing full financial statement audit in FY 2018

Audit History: Began General Funds Schedule of Budgetary Activity audits in FY 2012; Began full financial statement audits in FY 2017

Systems Environment: Initial audits found the Marine Corps is highly dependent on systems and organizations outside its chain of command, and process and system changes required to become GAAP-compliant are still in development. The Marine Corps is also developing and deploying, compliant systems and cost-effective changes to legacy systems that will be part of the systems environment.

Status of IPA Assessments of Systems Relevant to the Marine Corps Audit:



Air Force

2 Stand-Alone Audits: General Funds and Working Capital Funds

Size: $223.7 billion total Budgetary Resources and $328.1 billion total assets

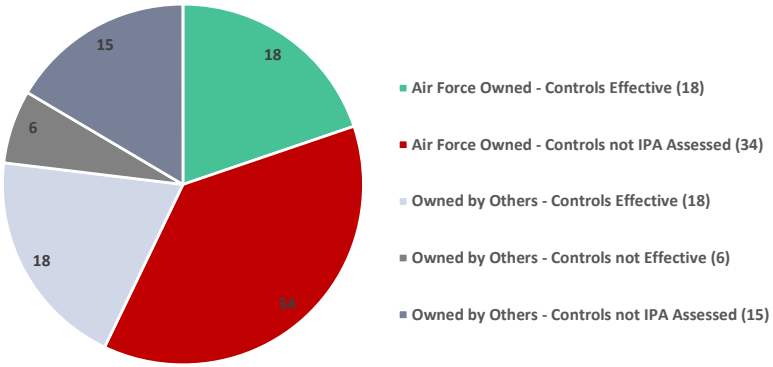
Current Audit Opinions: Disclaimer

Full Financial Statement Audit Contract Status: FY 2018 audit contract awarded September 2017

Audit History: Began General Funds Schedule of Budgetary Activity audits in FY 2015

Systems Environment: Initial audits found Air Force policies and processes were deficient in segregation of duties, periodic user access reviews, creation of user accounts, user access listings of development, and database user access provisioning. Of the 273 IT-related corrective action plans designed to address initial audit findings, 89 percent of supporting milestones are complete.

Status of IPA Assessments of Systems Relevant to the Air Force Audit:



Defense Health Program (DHP)

1 Stand-Alone Audit

Size: $26.1 billion total Budgetary Resources and $22.7 billion total assets

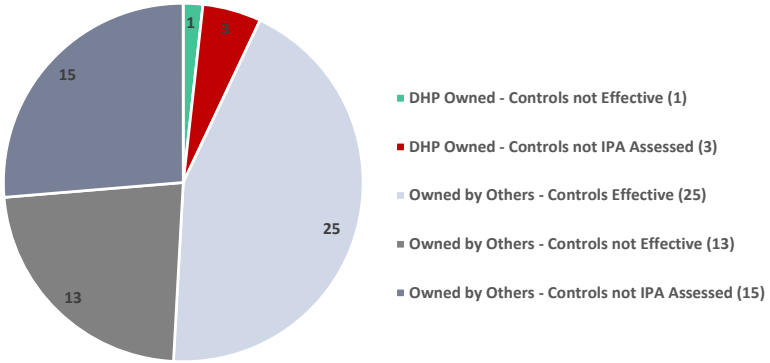
Current Audit Opinions: None

Full Financial Statement Audit Contract Status: Began full financial statement audit in FY 2018

Audit History: Prior to FY 2018, DHP completed examinations. Both DHA-CRM and MERHCF, which are reporting entities under DHP, are sustaining positive audit opinions.

Systems Environment: Initial audits found financial systems do not provide the capability to record financial transactions in compliance with FFMIA, current federal financial management requirements, applicable federal accounting standards, and the USSGL at the transaction level. Of the 4 IT-related corrective action plans designed to address findings from examinations, 33 percent of supporting milestones are complete.

Status of IPA Assessments of Systems Relevant to the DHP Audit:



Defense Logistics Agency (DLA)

3 Stand-Alone Audits: General Funds, Working Capital Funds, and Strategic Materials Funds

Size: $41.9 billion total Budgetary Resources and $32.2 billion total assets

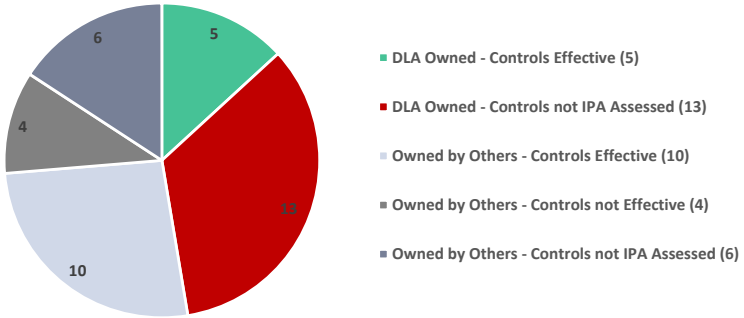
Current Audit Opinions: Opinion not yet issued

Full Financial Statement Audit Contract Status: Continuing full financial statement audit in FY 2018

Audit History: Under full financial statement audit since FY 2017

Systems Environment: DLA is working to address deficiencies in segregation of duties. Additionally, access control procedures are being redesigned to ensure access is appropriate for users across all business areas. As a service provider, DLA maintains IT systems used by the Components for business and financial operations including contract pay, disbursing, and financial reporting.

Status of IPA Assessments of Systems Relevant to the DLA Audit:



U.S. Special Operations Command (USSOCOM)

1 Stand-Alone Audit

Size: $13.3 billion total Budgetary Resources and $20.9 billion total assets

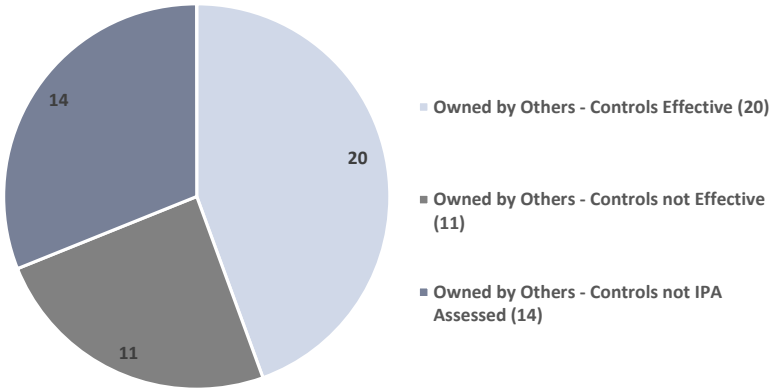
Current Audit Opinions: None

Full Financial Statement Audit Contract Status: FY 2018 audit contract awarded June 2017

Audit History: Prior to FY 2018, USSOCOM completed examinations; IPA completed an FY 2015 Schedule of Budgetary Activity examination

Systems Environment: All systems relevant to the USSOCOM audit are owned and maintained by other organizations. USSOCOM's IPA has not yet assessed USSOCOM's controls. USSOCOM will work with system owners to address any issues. One IT-related corrective action plan resulted from the initial examinations, and 67 percent of supporting milestones are complete.

Status of IPA Assessments of Systems Relevant to the USSOCOM Audit:



U.S. Transportation Command (USTRANSCOM)

1 Stand-Alone Audit

Size: $8.4 billion total Budgetary Resources and $2.6 billion total assets

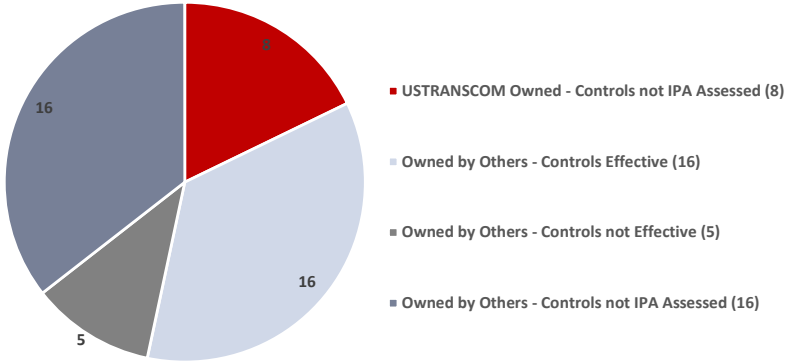
Current Audit Opinions: None

Full Financial Statement Audit Contract Status: FY 2018 audit contract awarded June 2017

Audit History: Prior to FY 2018, USTRANSCOM completed self-assessments and internal testing

Systems Environment: Corrective action plans are in place to address findings from a FISCAM assessment of SPS. All other USTRANSCOM owned systems have been assessed and are complete. USTRANSCOM relies heavily on DEAMS and is working closely with the Air Force to ensure complementary user entity controls are covered.

Status of IPA Assessments of Systems Relevant to the USTRANSCOM Audit:



Tier 3 and Tier 4 Reporting Entities Consolidated

Included in DoD Consolidated Audit

Size: $53.8 billion total Budgetary Resources and $61.7 billion total assets

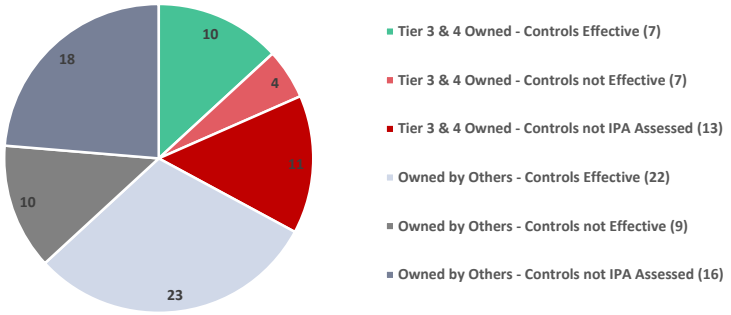
Current Audit Opinions: None

Full Financial Statement Audit Contract Status: DoD OIG to audit as part of the DoD Consolidated Audit

Audit History: Prior to FY 2018, Tier 3 and Tier 4 reporting entities completed a combination of self-assessments, mock audits, and IPA examinations

Systems Environment: These entities often rely on systems owned by others. They are continuing to implement critical IT general- and application-level controls for material, financially-relevant systems, and remediate findings from examinations.

Status of IPA Assessments of Systems Relevant to Tier 3 and Tier 4 Reporting Entities:



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II. Initial Audits: Findings and Lessons Learned

To prepare for full financial statement audits and the audit of the DoD consolidated financial statements, the Components have been focusing on improving the information most often used by management for decision-making. Initial, limited-scope audits of the Military Services focused first on financial activity for current-year appropriations on a Schedule of Budgetary Activity. As improvements were made and issues remediated, audits were expanded to include other financial statement elements. This strategy allowed the Department to test its audit infrastructure, prepare personnel for the rigors of annual audits, identify Department-wide issues and best practices, and establish tools for tracking and monitoring the remediation of audit findings.

INITIAL AUDIT RESULTS

An IPA issues NFRs (notices of findings and recommendations) to capture issues that require corrective action. To address each finding, Components analyze the root cause, and prepare a corrective action plan or plans, supporting milestones, and completion dates. When all supporting milestones and corrective action plans are complete, the Component self-reports the finding as closed. Findings self-reported as closed are retested by an auditor to validate the issue has been resolved before officially closing the NFR.

Note that after September 30, 2017, findings and remediation work from initial audits will no longer be separately monitored at the Department-level and reported. The Department will only report on findings and remediation work from the full financial statement audits. Findings may be re-assessed as part of the full financial statement audits and issued as a new audit finding. Status information in this section is as of September 30, 2017.

The Military Services

The Military Services' General Funds and Working Capital Funds, U.S. Army Corps of Engineers, and the Military Retirement Fund prepare and issue audited financial statements annually. The financial statements of the Corps of Engineers and the Military Retirement Fund have consistently received unmodified audit opinions. The U.S. Marine Corps is also under full financial statement audit. The other Military Services are beginning full financials statement audits in FY 2018.

ARMY

In preparation for an audit of its full financial statements in FY 2018, the Army expanded the scope of its FY 2017 audit to include the full Statement of Budgetary Resources and two lines of its Balance Sheet. During the audit, the Army responded to 2,190 provided by client requests and 7,122 requests for samples. Additionally, the IPA validated that the Army has successfully closed 127 of its FY 2015 and FY 2016 notices of findings and recommendations. Although challenges still exist, the Army is prioritizing remediation work and has executed 268 corrective action plans. The Corps of Engineers has been under full financial statement audit since 2006 and is sustaining an unmodified opinion.

Accomplishments Since the May 2017 FIAR Report

- Reviewed posting logic for core ERPs, and initiated waivers and system change requests to ensure compliance with the Treasury Financial Manual for identified business processes.
- Developed a universe of transactions for the General Fund and Working Capital Fund financial statements starting with the core accounting systems, the General Fund Enterprise Business System

(GFEBS), Global Combat Support System – Army (GCSS-A), and Logistics Modernization Program (LMP). This transactional-level detail is used to create multiple reconciliations, such as reconciling the financial statements to the Defense Departmental Reporting System - Audited Financial Statements (DDRS-AFS); DDRS-AFS to the Defense Departmental Reporting System-Budgetary (DDRS-B); DDRS-B to multiple general ledger accounting systems, system trial balances to transactional detail; and transactional detail in accounting systems to transactional detail in business feeder systems.

- Corrected more than 3,000 transactions at the document-level for non-federal debt collections and eliminated a significant number of journal vouchers previously executed by DFAS at the departmental-reporting level.
- Migrated over 1,000 journal vouchers into GFEBS. Scheduled system changes will eliminate these journal vouchers.
- IPA validated as closed three corrective action plans and improved GFEBS IT general controls. Indicators include a decrease in auditor-issued findings for general controls from 19 in FY 2016 to 15 in FY 2017; a decrease in design-related findings from 16 in FY 2016 to 10 in FY 2017; and the development of 15 FY 2017 GFEBS corrective actions plans.
- Developed initial valuation packages (using budget documentation) to value approximately 70 percent of General Equipment reported on the General Fund financial statements and began valuing Operating Materials and Supplies using the latest acquisition costs. In January 2017, the Army initiated an IPA audit of 12 General Equipment programs, representing 42 percent of the General Equipment line-item, and an IPA audit of Operating Materials and Supplies line-items.

On the following page, Figure II-1, “Notices of Findings and Recommendations from Initial Army Audits as of September 30, 2017,” shows the number of corrective action plans and milestones related to initial, limited-scope audits.

Figure II-1. Status of Corrective Action Plans Resulting from Initial Army Audits as of September 30, 2017

Scope of Audit: Findings and recommendations are from the Army FY 2015 and FY 2016 Schedule of Budgetary Activity limited-scope audits, and the FY 2017 Statement of Budgetary Resources and several lines of the Balance Sheet audit.

Financial Statement Area	Statement of Assurance Area		Corrective Actions Plans (CAPs)					
	End-to-End Process	Material Weakness Area	Number of CAPs	Number of CAPs Closed	Number of Milestones	Number of Milestones Closed	Percent Complete	Completion
Universe of Transactions	Budget-to-Report	Civilian Pay	1	1	1	1	100	✓
		Fund Balance with Treasury	11	8	52	42	81	01/2019
		Financial Reporting Compilation	18	16	58	45	78	01/2019
	Hire-to-Retire	Civilian Pay	28	23	84	70	83	10/2019
		Military Pay	44	26	177	146	82	12/2020
	Order-to-Cash	Accounts Receivable – Public	4	3	20	16	80	03/2018
		Reimbursable Work Orders	9	3	42	31	74	01/2019
	Procure-to-Pay	Contract / Vendor Pay	7	4	25	22	88	03/2019
		Transportation of People	1	1	3	3	100	✓
Fund Balance with Treasury	Budget-to-Report	Fund Balance with Treasury	2	2	9	9	100	✓
		Financial Reporting Compilation	2	2	2	2	100	✓
	Entity-Wide	Fund Balance with Treasury	3	3	13	13	100	✓
Journal Vouchers	Budget-to-Report	Fund Balance with Treasury	2	2	10	10	100	✓
		Financial Reporting Compilation	38	26	155	111	72	03/2019
		Information Technology	2	1	6	1	17	08/2018
	Hire-to-Retire	Civilian Pay	4	2	14	0	0	✓
		Military Pay	8	0	42	10	24	✓
	Order-to-Cash	Accounts Receivable – Public	5	3	15	10	67	01/2019
		Financial Reporting Compilation	2	0	9	4	44	01/2019
		Reimbursable Work Orders	3	0	15	4	27	11/2017

Scope of Audit: Findings and recommendations are from the Army FY 2015 and FY 2016 Schedule of Budgetary Activity limited-scope audits, and the FY 2017 Statement of Budgetary Resources and several lines of the Balance Sheet audit.

Financial Statement Area	Statement of Assurance Area		Corrective Actions Plans (CAPs)					
	End-to-End Process	Material Weakness Area	Number of CAPs	Number of CAPs Closed	Number of Milestones	Number of Milestones Closed	Percent Complete	Completion
	Procure-to-Pay	Contract / Vendor Pay	1	1	6	6	100	✓
		Financial Reporting Compilation	2	1	11	6	54	12/2018
Information Technology	Information Technology	Information Technology	328	196	1148	675	59	12/2020
Entity-Level Controls	Entity-Wide	IT Systems Material to Audit	1	0	2	0	0	12/2017
Audit Response Infrastructure	Budget-to-Report	Financial Reporting Compilation	4	1	20	3	15	09/2018
	Hire-to-Retire	Military Pay	3	1	14	9	64	11/2017
Other – Key Supporting Documentation and Internal Controls	Budget-to-Report	Financial Reporting Compilation	18	14	63	54	86	01/2018
		Fund Balance with Treasury	9	7	44	38	86	12/2017
	Hire-to-Retire	Civilian Pay	26	21	80	69	86	09/2018
		Military Pay	44	22	238	156	66	12/2018
	Order-to-Cash	Accounts Receivable - Public	3	1	13	6	46	01/2018
		Financial Reporting Compilation	2	1	5	1	20	01/2020
		Reimbursable Work Orders	7	5	39	32	82	✓
	Procure-to-Pay	Contract / Vendor Pay	1	0	4	0	0	01/2020
		Financial Reporting Compilation	1	0	5	4	80	✓
		IT Systems Material to Audit	8	5	18	5	28	01/2019
		Military Standard Requisitioning	1	0	3	2	67	12/2017
		Transportation of Things	1	1	1	1	100	✓
Other	Budget-to-Report	Financial Reporting Compilation	6	3	27	13	48	12/2017
		IT Systems Material to Audit	2	0	6	4	67	11/2017
	Hire-to-Retire	Military Pay	2	0	19	2	11	✓

Note: After September 30, 2017, findings and remediation work from initial audits will no longer be separately monitored and reported at the Department-level. Findings may be re-assessed as part of the full financial statement audits and issued as a new audit finding, when appropriate.

NAVY

The Department of the Navy, in preparation for full financial statement audits beginning in FY 2018, established an audit committee to better engage senior leaders and formalize its governance structure for resolving enterprise-wide deficiencies.

Accomplishments Since the May 2017 FIAR Report

- Developed a universe of transactions and produced the first full financial statement package for Navy General Fund including pro-forma footnotes for Quarter 2 of FY 2017.
- Supported an auditable year-end Accounts Payable accrual.
- Asserted existence and completeness for real property audit of facilities (buildings, structures, and linear structures).
- Developed and implemented interim Construction-in-Process procedures for aircraft and vessels.
- Achieved existence and completeness and baseline valuation over material asset segments representing 67 percent of total General Fund Property, Plant, and Equipment.

On the following page, Figure II-2, "Notices of Findings and Recommendations from Initial Navy Audits as of September 30, 2017," shows the number of corrective action plans and milestones related to initial, limited-scope audits.

U.S. MARINE CORPS

The Marine Corps has been under full financial statement audit since September 2016, delivering more than 36,000 documents to auditors, participating in more than 500 business process walkthroughs and meetings, and providing sample support for more than 5,000 transactions. During the audit, the Marine Corps also responded to 1,900 provided by client requests, 4,300 sample items, and 1,923 follow-up questions.

Accomplishments Since the May 2017 FIAR Report

- Tied out the universe of transactions and began field-level testing on significant transaction data sets.
- Reconciled the Standard Accounting Budgeting Reporting System (SABRS) universe of transactions for October year-to-date data totaling 4.6 million rows of data and $40 billion of General Ledger transaction amounts (the first of its kind from any military service). This was achieved three months ahead of schedule.

Figure II-3, "Notices of Findings and Recommendations from Initial and Full Marine Corps Audits as of September 30, 2017," on the pages following the Navy findings, shows the number of corrective action plans and milestones related to initial and full audits.

Figure II-2. Status of Corrective Action Plans Resulting from Initial Navy Audits as of September 30, 2017

Scope of Audit: Findings and recommendations are from the Navy FY 2015 and FY 2016 Schedule of Budgetary Activity limited-scope audits.

Financial Statement Area	Statement of Assurance Area		Corrective Action Plans (CAPs)					
	End-to-End Process	Material Weakness Area	Number of CAPs	Number of CAPs Closed	Number of Milestones	Number of Milestones Closed	Percent Complete	Completion
Universe of Transactions	Budget-to-Report	Financial Reporting Compilation	3	2	49	37	76	12/31/2017
Fund Balance with Treasury	Budget-to-Report	Fund Balance with Treasury	9	5	79	58	73	03/31/2018
Journal Vouchers	Budget-to-Report	Civilian Pay	3	0	13	2	15	12/31/2018
		Financial Reporting Compilation	4	2	20	18	90	12/31/2017
Information Technology	IT Systems Material to Audit	Financial Management Systems	89	20	305	136	34	12/31/2019
Other – Assertion Package Documentation	Budget-to-Report	Financial Reporting Compilation	3	3	27	27	100	✓
Other – Entity-Level Controls	Budget-to-Report	Financial Reporting Compilation	7	5	81	58	72	12/31/2017
Other – Key Supporting Documentation and Internal Controls	Budget-to-Report	Civilian Pay	3	1	23	22	96	12/31/2017
		Contract / Vendor Pay	3	1	23	9	39	06/30/2018
		Financial Reporting Compilation	6	2	74	42	57	12/31/2017
		Military Standard Requisitioning and Issue Procedures, Contract/Vendor Pay, Reimbursable Work Orders (Budgetary), Transportation of Things, Transportation of People	4	2	29	7	24	12/31/2018
		Military Standard Requisitioning and Issue Procedures, Contract/Vendor Pay, Reimbursable Work Orders (Budgetary), Transportation of Things, Transportation of	2	1	34	15	44	6/30/2018

Scope of Audit: Findings and recommendations are from the Navy FY 2015 and FY 2016 Schedule of Budgetary Activity limited-scope audits.								
Financial Statement Area	Statement of Assurance Area		Corrective Action Plans (CAPs)					
	End-to-End Process	Material Weakness Area	Number of CAPs	Number of CAPs Closed	Number of Milestones	Number of Milestones Closed	Percent Complete	Completion
		People, Military Pay, Civilian Pay						
		Military Standard Requisitioning and Issue Procedures, Contract / Vendor Pay, Transportation of Things	2	1	12	3	25	09/30/2018
		Military Standard Requisitioning and Issue Procedures, Contract / Vendor Pay, Reimbursable Work Orders (Budgetary), Transportation of Things	2	1	15	4	27	09/30/2018
		Reimbursable Work Orders (Budgetary)	16	7	114	66	58	06/30/2018
		Transportation of People	3	0	53	33	62	09/30/2019
		Transportation of Things	1	1	4	4	100	✓
	Hire-to-Retire	Civilian Pay	2	1	10	9	90	11/15/2017
		Military Pay	1	0	11	5	45	12/31/2017

Note: After September 30, 2017, findings and remediation work from initial audits will no longer be separately monitored and reported at the Department-level. Findings may be re-assessed as part of the full financial statement audits and issued as a new audit finding, when appropriate.

Figure II-3. Status of Corrective Action Plans Resulting from Marine Corps Audits as of September 30, 2017

Scope of Audit: Findings and recommendations are from the Marine Corps FY 2014 Schedule of Budgetary Activity audit.

Financial Statement Area	Statement of Assurance Area		Corrective Action Plans (CAPs)					
	End-to-End Process	Material Weakness Area	Number of CAPs	Number of CAPs Closed	Number of Milestones	Number of Milestones Closed	Percent Complete	Completion
Fund Balance with Treasury	Budget-to-Report	Fund Balance with Treasury	1	1	2	2	100	✓
Other – Entity-Level Controls	Procure-to-Pay, Order-to-Cash, Hire-to-Retire, Budget-to-Report	Military Standard Requisitioning and Issue Procedures, Transportation of People, Transportation of Things, Contract / Vendor Pay, Revenue and Collections, Military Pay, Civilian Pay, Fund Balance with Treasury, Financial Reporting Compilation	1	1	5	5	100	✓
Other – Key Supporting Documentation and Internal Controls	Procure-to-Pay	Military Standard Requisitioning and Issue Procedures	2	2	8	8	100	✓
		Transportation of People	2	2	5	5	100	✓
		Contract / Vendor Pay	3	2	8	5	62	03/31/2018
		Transportation of Things	2	2	1	1	100	✓
		Military Standard Requisitioning and Issue Procedures, Reimbursable Work Order – Grantor	1	0	2	1	50	03/31/2018
		Transportation of Things, Contract / Vendor Pay, Military Standard Requisitioning & Issue Procedures, Transportation of People	1	1	1	1	100	✓
	Order-to-Cash	Revenue and Collections	3	0	7	6	85	03/31/2018

Scope of Audit: Findings and recommendations are from the Marine Corps FY 2014 Schedule of Budgetary Activity audit.								
Financial Statement Area	Statement of Assurance Area		Corrective Action Plans (CAPs)					
	End-to-End Process	Material Weakness Area	Number of CAPs	Number of CAPs Closed	Number of Milestones	Number of Milestones Closed	Percent Complete	Completion
	Hire-to-Retire	Military Pay	3	2	6	2	50	03/31/2018
	Budget-to-Report	Financial Reporting Compilation	4	3	15	14	93	09/30/2018
	Procure-to-Pay, Hire-to-Retire	Military Standard Requisitioning & Issue Procedures, Contract / Vendor Pay, Civilian Pay	1	0	1	0	50	03/31/2018
		Military Standard Requisitioning and Issue Procedures, Contract / Vendor Pay, Transportation of Things, Transportation of People, Civilian Pay	6	5	10	6	60	03/31/2018

AIR FORCE

The Air Force continued to audit its Schedule of Budgetary Activity in FY 2017. In August 2017, the Secretary of the Air Force officially notified DoD leadership that the Air Force was prepared and would begin annual full financial statement audits starting in FY 2018.

Accomplishments Since the May 2017 FIAR Report

- Self-reported as closed 10 financial management and 6 IT corrective action plans and awaiting IPA validation.
- Completed over 50 Phase II (remaining installations) Real Property site visits to deliver corrective action plan training to the installations. Assisted with completing physical inventories and key supporting documents during 13 additional Phase II site visits.
- Achieved unmodified opinions on Air Force Working Capital Fund examinations for Contract Authority, covering 57 percent of Air Force Working Capital Fund budgetary resources; and on Spending Authority and Revenue (Flying Hours), covering 28 percent of Revenue.
- Began independent examinations for Spending Authority and Revenue (Depot Maintenance); and Inventory (Base Possessed).
- Reduced Air Force Working Capital Fund unsupported journal vouchers by 92 percent from May 2016 to July 2017.
- Developed a plan to eliminate unsupported inventory (in-transit) journal vouchers.

On the following page, Figure II-4, “Notices of Findings and Recommendations from Initial Air Force Audits as of September 30, 2017,” shows the number of corrective action plans and milestones related to initial, limited-scope audits.

Figure II-4. Status of Corrective Action Plans Resulting from Initial Air Force Audits as of September 30, 2017

Scope of Audit: Findings and recommendations are from the Air Force FY 2015, FY 2016, and FY 2017 Schedule of Budgetary Activity limited-scope audits.

Financial Statement Area	Statement of Assurance Area		Corrective Action Plans (CAPs)					
	End-to-End Process	Material Weakness Area	Number of CAPs	Number of CAPs Closed	Number of Milestones	Number of Milestones Closed	Percent Complete	Completion
Universe of Transactions	Budget-to-Report	Financial Reporting Compilation	42	33	169	160	95	05/25/2018
Fund Balance with Treasury	Budget-to-Report	Fund Balance with Treasury	4	3	19	18	95	11/30/2017
Journal Vouchers	Budget-to-Report	Financial Reporting Compilation	5	3	23	21	91	01/15/2018
Information Technology	IT Systems Material to Audit	Financial Management Systems	273	244	812	728	89	04/30/2020
N/A	Budget-to-Report	Financial Reporting Compilation	12	9	55	40	73	09/30/2019
	Hire-to-Retire	Civilian Pay	7	4	28	25	89	08/15/2018
		Military Pay	6	5	24	23	96	01/12/2018
	Order-to-Cash	Reimbursable Work Orders (Budgetary)	6	4	24	22	92	10/15/2017
	Procure-to-Pay	Contract / Vendor Pay	19	14	80	72	90	12/31/2017
		Military Standard Requisitioning and Issue Procedures	4	2	16	14	88	05/15/2018
		Transportation of People	3	3	12	12	100	✓

Note: After September 30, 2017, findings and remediation work from initial audits will no longer be separately monitored and reported at the Department-level. Findings may be re-assessed as part of the full financial statement audits and issued as a new audit finding, when appropriate.

Other Defense Organizations

Each of the other defense organizations (ODOs) is either under a stand-alone full financial statement audit in FY 2018 or will be audited by the DoD OIG as part of the DoD consolidated audit. The ODCFO has responsibility for guiding, directing, and supporting the ODOs throughout the audit process and in remediating audit findings.

SUPPORT TO ODOS

The ODCFO delivered specialized training on what to expect during an audit, how to respond to auditors' requests, and roles and responsibilities. An additional full-day gathering of representatives from all of the ODOs allowed for more issue-focused sessions and provided the ODOs an opportunity to learn from each other.

ODOs and service providers have been working together to document material end-to-end business processes, including documenting standard internal controls, material financial systems, typical supporting documentation associated with the process, and relevant service provider reports. Reporting entities provide this documentation to the auditors early in the process to help the auditors understand the business environment and plan their audit procedures.

The FIAR Audit Response Center (ARC) Tool, developed by ODCFO, facilitates ODO response to IPA requests during an audit or examination. The IPA sends a provided by client request to the tool where it is reviewed by the audit response team and sent to the applicable reporting entity. The responsible organization can then use the tool to fulfill the auditor's need for documentation. Both response time and accuracy are enhanced by this process and centralized tool.

Universe of Transactions Pilot

The ability to provide a universe of transactions supports financial reconciliations, beginning balances, and the ability to generate transaction samples. The sheer number of financial systems; the practice of sub-allotting funds between entities; and the quality, sensitivity, and lack of standardized data has made providing a universe of transactions for audit difficult.

The ODCFO, working with the DoD Deputy Chief Management Officer (DCMO), DoD Chief Information Officer (CIO), DFAS, and USSOCOM, conducted a pilot project to develop and provide an automated capability that will be used by other Defense agencies for the General Fund to produce a complete, accurate, and reconcilable universe of transactions from numerous, disparate accounting and feeder systems.

The resulting system, the Auditable Universe of Data – Intelligence Tool (AUD-IT), currently ingests data from 19 different DoD accounting systems and is used by more than 200 users to actively support audits and examinations related to Treasury Indexed (TI)-97 appropriated funds. AUD-IT has proven it can reconcile financial details to unadjusted trial balances and meet basic existence criteria for financial statement line-item support. The system will be expanded to include the ability to identify the entity that owns each transaction, standardize financial data, and protect sensitive data. As the system matures, more capabilities will be added, such as integrating with more systems and adding a self-service dashboard to give entities even more control over financial data.

Large Defense Agencies

For audit purposes, ODOs already sustaining opinions on their full financial statements are grouped with large defense agencies. DeCA, DCAA, DFAS, DHA-CRM, and the DoD OIG are sustaining unmodified audit opinions on their full financial statements. MERHCF is sustaining a modified opinion on its full financial statements. DISA recently received an unmodified opinion on its FY 2016 Working Capital Fund financial statements and a modified opinion on its FY 2016 General Fund financial statements.

Other large defense agencies completed stand-alone, full financial statement audits in FY 2017 and again began full financial statement audits in FY 2018. For each of these agencies, a brief status update and, when available, a figure showing the status of notices of findings and recommendations from initial audits follow.

DEFENSE FINANCE AND ACCOUNTING SERVICE

DFAS sustained its 17th consecutive unmodified audit opinion on the DFAS Working Capital Fund. DFAS also supported the 22nd consecutive unmodified opinion on the Military Retirement Fund, 2nd consecutive unmodified opinion on Non-Appropriated Fund Financial Services, and the 14th consecutive modified opinion on the Medicare-Eligible Retiree Health Care Fund.

DEFENSE INFORMATION SYSTEMS AGENCY

DISA underwent a full financial statement audit in FY 2017 and received an unmodified opinion on its FY 2016 Working Capital Fund financial statements and a modified opinion on its FY 2016 General Fund financial statements. DISA received 61 IT findings, 2 property findings, 1 undelivered order finding, 2 non-payroll expense findings, and 3 department-wide findings (buyer-side adjustments for intragovernmental eliminations, system-generated journal vouchers, and TI-97 Fund Balance with Treasury). DISA is in the process of addressing findings.

DEFENSE INTELLIGENCE AGENCIES

The Defense Intelligence Agencies were under full financial statement audit for FY 2017 and are demonstrating progress to achieving and sustaining positive audit opinions on their full financial statements.

DEFENSE LOGISTICS AGENCY

DLA completed its first full financial statement audit in FY 2017 and responded to 1,288 financial and 1,098 IT-related provided by client requests.

The IPA for the DLA audit has not yet issued formal notices of findings and recommendations.

U.S. TRANSPORTATION COMMAND

In June, the Commander, General Darren W. McDew, kicked off the USTRANSCOM financial statement audit entrance conference, which included completing three site visits. The IPA is conducting walkthroughs and interviews with Transportation Component Commands including site visits to service provider locations. USTRANSCOM is fulfilling provided by client requests and continuing to remediate self-identified deficiencies.

The IPA for the USTRANSCOM audit has yet to issue any notices of findings and recommendations.

DEFENSE HEALTH PROGRAM

DHP comprises the Defense Health Agency (DHA) directorates and the Military Departments' Service Medical Activities (SMAs). DHP also includes DHA-CRM and MERHCF, which have been under full financial statement audit since 2011 and 2003, respectively. DHA-CRM is sustaining an unmodified opinion, and MERHCF is sustaining a modified opinion.

DHP awarded the contract for its full financial statement audit in July 2017 and held the entrance conference for senior leaders in September 2017. Auditors have issued initial provided by client requests and are making walkthroughs across the DHP enterprise, including service providers and DHP components.

Figure II-5, "Notices of Findings and Recommendations from Initial DHP Examination as of September 30, 2017," shows the number of corrective action plans and milestones related to initial, limited-scope audits.

Figure II-5. Notices of Findings and Recommendations from Initial DHP Examinations as of September 30, 2017

Scope of Audit: Findings and recommendations are from DHP examination conducted in prior years.								
Financial Statement Area	Statement of Assurance Area		Corrective Action Plans (CAPs)					
	End-to-End Process	Material Weakness Area	Number of CAPs	Number of CAPs Closed	Number of Milestones	Number of Milestones Closed	Percent Complete	Completion
Universe of Transactions	All	Financial Reporting Compilation	2	1	5	4	80	12/31/2017
Fund Balance with Treasury	Budget-to-Report	Fund Balance with Treasury	4	3	37	36	97	11/24/2017
Information Technology	All	Financial Management Systems	4	1	18	6	33	09/01/2020
N/A	Hire-to-Retire	Civilian Pay	1	1	7	7	100	✓
	Budget-to-Report	Financial Reporting Compilation	2	1	9	7	77	11/30/2017
	Procure-to-Pay	Reimbursable Work Orders (Budgetary)	1	0	6	0	0	08/31/2019

Note: After September 30, 2017, findings and remediation work from initial examinations will no longer be separately monitored and reported at the Department-level. Findings from initial examinations may be re-assessed as part of the full financial statement audits and issued as a new audit finding, when appropriate.

U.S. SPECIAL OPERATIONS COMMAND

USSOCOM completed extensive monthly testing of many assessable units and has been meeting regularly with the Services, its service providers, and the Special Operations financial management community to test and improve its audit infrastructure. USSOCOM is now undergoing full financial statement audit of its FY 2018 financial statements.

Figure II-6 "Notices of Findings and Recommendations from Initial USSOCOM Examinations as of September 30, 2017," shows the number of corrective action plans and milestones related to initial, limited-scope examinations.

Figure II-6. Notices of Findings and Recommendations from Initial USSOCOM Examinations as of September 30, 2017

Scope of Audit: Findings and recommendations are from USSOCOM examinations conducted in prior years.								
Financial Statement Area	Statement of Assurance Area		Corrective Action Plans (CAPs)					
	End-to-End Process	Material Weakness Area	Number of CAPs	Number of CAPs Closed	Number of Milestones	Number of Milestones Closed	Percent Complete	Completion
Universe of Transactions	All	Financial Reporting Compilation	1	0	4	3	75	12/31/2017
Fund Balance with Treasury	Budget-to-Report	Fund Balance with Treasury	4	3	37	36	97	11/24/2017
Information Technology	All	Financial Management Systems	1	0	3	2	67	12/31/2017
N/A	Hire-to-Retire	Civilian Pay	1	1	6	6	100	✓
	Budget-to-Report	Financial Reporting Compilation	3	3	14	14	100	✓

Note: After September 30, 2017, findings and remediation work from initial examinations will no longer be separately monitored and reported at the Department-level. Findings from initial examinations may be re-assessed as part of the full financial statement audits and issued as a new audit finding, when appropriate.

Mid-Sized and Remaining Defense Agencies

The mid-sized and remaining defense agencies and funds completed examinations or self-reviews in FY 2017, and in FY 2018 are subject to internal controls and substantive testing by the DoD OIG as part of the DoD consolidated audit.

Figure II-7 "Notices of Findings and Recommendations from initial Mid-sized Defense Agencies Examinations and Self-Reviews as of September 30, 2017" shows the number of corrective action plans and milestones related to initial examinations and self-reviews for:

- Chemical Biological Defense Program (CBDP)
- Defense Advanced Research Projects Agency (DARPA)
- Defense Contract Management Agency (DCMA)
- Defense Security Cooperation Agency (DSCA)
- Defense Threat Reduction Agency (DTRA)
- DoD Education Activity (DoDEA)
- Missile Defense Agency (MDA)
- Office of the Chairman of the Joint Chiefs of Staff
- Washington Headquarters Services (WHS)

Figure II-7. Notices of Findings and Recommendations from Initial Mid-sized Defense Agencies Examinations and Self-Reviews as of September 30, 2017

Scope of Audit: Findings and recommendations are consolidated from Mid-Sized Defense Agencies' examinations and self-reviews conducted in prior years.

Financial Statement Area	Statement of Assurance Area		Corrective Action Plans (CAPs)					
	End-to-End Process	Material Weakness Area	Number of CAPs	Number of CAPs Closed	Number of Milestones	Number of Milestones Closed	Percent Complete	Completion
Universe of Transactions	All	Financial Reporting Compilation	2	1	13	12	93	12/31/2017
Fund Balance with Treasury	Budget-to-Report	Fund Balance with Treasury	5	3	38	36	95	11/24/2017
Journal Vouchers	All	Financial Reporting Compilation	2	1	9	3	33	01/09/2018
Information Technology	All	Financial Management Systems	6	5	37	36	97	12/31/2017
N/A	Budget-to-Report	Financial Reporting Compilation	7	6	34	28	82	01/09/2018
	Hire-to-Retire	Civilian Pay	12	11	43	40	93	10/31/2017
	Procure-to-Pay	Contract / Vendor Pay	14	14	66	66	100	✓
		Reimbursable Work Orders	3	2	10	7	70	11/30/2017

Note: After September 30, 2017, findings and remediation work from initial examinations and self-reviews will no longer be separately monitored and reported at the Department-level. Findings may be re-assessed as part of the full financial statement audits and issued as a new audit finding, when appropriate.

Service Providers

To improve Department-wide efficiency, many of the service providers complete IPA controls examinations in accordance with SSAE No. 18. Results of those examinations are used by the IPAs conducting the Component audits, saving time and money. Findings resulting from SSAE No. 18 examinations will also be entered in the ODCFO NFR Database. Many DoD service providers, such as DFAS and DCMA are sustaining examinations of their controls and systems.

DEPARTMENT OF THE ARMY

The Department of the Army fulfills three service provider roles and responsibilities:

- Acquisition authority and custodial accountability for conventional munitions.
- Real Property engineering services, construction, and maintenance delivered by the Corps of Engineers.
- Accounting through GFEBS, the Army's General Fund Enterprise Business System used across the Army, Army National Guard, Army Reserve, and by other DoD Components.

In FY 2018, the Army will begin an SSAE No. 18 examination of GFEBS. The Army will also complete an IPA SSAE No. 18 examination of Operating Materials and Supplies. The Corps of Engineers completed a single audit approach for DLA covering the Military Construction appropriation and construction-in-progress. This audit will expand in FY 2018 to cover the remaining DoD customers.

NAVAL FACILITIES ENGINEERING COMMAND

The Naval Facilities Engineering Command (NAVFAC) constructs and maintains facilities, delivers utilities and services, and provides capabilities to Navy expeditionary combat forces. NAVFAC also supports the Air Force, Marine Corps, and Defense Agencies. NAVFAC uses the internet Navy Facilities Asset Data Store (iNFADS) as the repository for the inventory and reporting of Real Property. NAVFAC supports its customers' audits by overseeing and maintaining documentation for the acquisition, construction-in-progress acceptance, transfer, and disposal of Real Property on Navy installations. NAVFAC initiated reconciliations with DoD agencies and services, and provided a universe of transactions to all customers entities.

DEFENSE CONTRACT MANAGEMENT AGENCY

The Defense Contract Management Agency (DCMA), in coordination with DFAS, maintains the Mechanization of Contract Administration Services (MOCAS) system. The system is used to manage the Department's largest contracts from obligation to closeout. The Components rely on MOCAS, including relevant system controls, to ensure the completeness, accuracy, and validity of contract information and to restrict access to and prevent unauthorized recording of information on contract management activity. In addition to maintaining MOCAS, DCMA monitors contractor performance and business systems to ensure cost, product performance, and delivery schedules comply with the terms and conditions of the contracts.

DCMA received an unmodified opinion on the FY 2017 Contract Pay service provider audit.

DEFENSE FINANCE AND ACCOUNTING SERVICE

DFAS provides accounting and finance services for the Department. Services include civilian pay, military pay, vendor pay, retired and annuitant pay, contract pay, travel pay, debt and claims, disbursing, accounting, and financial statement preparation for the Military Services and other Defense organizations.

IPAs performed seven SSAE No. 18 examinations on DFAS services. DFAS obtained 4 unmodified opinions on Civilian Pay, Contract Pay, Military Pay, and Standard Disbursing Services. The remaining 3 areas received modified opinions on the Defense Cash Accountability System (DCAS) Transaction Distribution Services, Financial Reporting, and the first year of Vendor Pay Services.

DEFENSE HUMAN RESOURCES ACTIVITY

Defense Human Resources Activity (DHRA) supports the Department by managing and maintaining the human resources system and travel system. The Defense Civilian Personnel Data System (DCPDS) is used to initiate, approve, and process personnel actions for civilian employees. DCPDS supports over 800,000 active civilian personnel records and is the feeder system to the payroll system maintained by DFAS. DHRA received a modified opinion on its FY 2017 SSAE No. 18 examination of DCPDS.

In coordination with the Defense Travel Management Office, DHRA maintains the Defense Travel System (DTS), which has interfaces that manage, execute, and calculate the costs to reimburse travel. The Department relies on DTS, including system controls, to ensure the completeness, accuracy, and validity of travel costs, and restrict and prevent unauthorized access to this information. DHRA received an unmodified opinion on its FY 2017 SSAE No. 18 examination of DTS.

DEFENSE INFORMATION SYSTEMS AGENCY

DISA provides application hosting services for the Department's service providers, Military Services, and other defense organizations. As a result, DISA is responsible for most of the IT general controls over the computing environment in which many financial, personnel, and logistics applications reside. In order for service providers and Components to rely on automated controls and documentation within these applications, controls must be appropriately and effectively designed. DISA and the Components have entered into agreements to support audits. The agreements ensure services are documented and describe any nonstandard controls or functions. DISA received unmodified opinions on its FY 2017 SSAE No. 18 examinations of both Hosting Services and the Automated Time and Attendance and Production System (ATAAPS).

DEFENSE LOGISTICS AGENCY

DLA is a service provider for Military Service-owned items in DLA custody. DLA stores and manages items at its facilities and issues and distributes the items to the Military Services. While DLA uses a DLA system, Distribution Standard System (DSS), to record receipt and issuance activity at its facilities, each Military Service maintains its own accountable property system of record. DLA also maintains IT systems used by the Components for business and financial operations including contract pay, disbursing, and financial reporting. DLA completed discovery and corrective actions, and strengthened controls for the systems in support of customer audit readiness. DLA received unmodified opinions on its FY 2017 SSAE No. 18 examinations of DAAS, DAI, DPAS, and iRAPT.

On the following page, Figure II-8 "Notices of Findings and Recommendations from System and Organization Controls Reports as of September 30, 2017" shows the number of corrective action plans and milestones related to SSAE No. 18 examinations.

Figure II-8. Notices of Findings and Recommendations from System and Organization Controls Reports as of September 30, 2017

SSAE No. 18	FY 2017				FY 2016			
	Opinion	# of NFRs Issued	# of Repeat NFRs	# of NFRs Closed	Opinion	# of NFRs Issued	# of NFRs Closed	Completion Date
Army								
LMP, MHP-WARS, SAAS SCP-11	TBD	TBD	N/A	N/A	N/A	N/A	N/A	N/A
Defense Contract Management Agency								
Contract Pay	Unmodified	6	1	0	Modified	6	5	Closed 09/2016
Defense Finance and Accounting Service								
Civilian Pay	Unmodified	7	1	0	Unmodified	2	1	Closed 03/2017
Military Pay	Unmodified	5	1	0	Modified	10	9	Closed 03/2017
Vendor Pay	Modified	6	N/A	0	N/A	N/A	N/A	N/A
SDS	Unmodified	14	0	0	Unmodified	7	7	Closed 03/2017
Contract Pay	Unmodified	3	0	0	Unmodified	3	3	Closed 03/2017
Financial Reporting	Modified	10	8	0	Modified	10	2	09/2018
DCAS / FBWT	Modified	6	6	0	Modified	12	6	TBD
Defense Information Systems Agency								
ECS	Unmodified	12	6	0	Unmodified	17	11	Closed 06/2017
ATAAPS	Unmodified	2	2	0	Modified	4	2	Closed 05/2017
Defense Logistics Agency								
iRAPT / WAWF	Unmodified	1	0	0	Modified	4	4	Closed 10/2016
DAAS	Unmodified	2	0	0	Modified	9	9	Closed 01/2017
SOIDC	N/A	N/A	N/A	N/A	Modified	3	0	10/2017
DAI	Unmodified	0	0	0	Modified	3*	3*	N/A
DPAS	Unmodified	0	0	0	Unmodified	0	0	N/A

SSAE No. 18	FY 2017				FY 2016			
	Opinion	# of NFRs Issued	# of Repeat NFRs	# of NFRs Closed	Opinion	# of NFRs Issued	# of NFRs Closed	Completion Date
Defense Manpower Data Center								
DCPDS	Modified	10	1	0	Unmodified	4	3	TBD
DTS	Unmodified	5	1	0	Modified	5	4	Closed – 06/2017
	Total	**89**	**27**	**0**		**99**	**69**	

Notes: Completion Dates for NFRs resulting from the FY 2017 examinations have not been determined.
The SSAE No. 18 examination for SOIDC is not being performed in FY 2017. Therefore, the 3 FY 2016 NFRs for SOIDC do not appear in the # of Repeat NFRs column and totals do not sum across years.
* Exceptions not NFRs.

Conclusion

Bringing business reforms to the Department of Defense is one of Secretary Mattis' "three lines of effort," which form the basis of his new national defense strategy. An October 5, 2017, memorandum to all DoD personnel describes business reform as the line of effort that "instills budget discipline and effective resource management, develops a culture of rapid and meaningful innovation, streamlines requirements and acquisition process, and promotes responsible risk-taking and personal initiative." Remediating findings from annual audits and instituting audit rigor into DoD systems, processes, and controls are fundamental to meeting the Secretary's charge.

As the Department begins full financial statement audits and refocuses work on audit *remediation*, the Financial Improvement and Audit *Readiness* Plan Status Report must change. Future reports will present status information on findings and remediation work from the full financial statement audits and will no longer report on results of the initial, limited-scope audits. Additionally, the schedule of reports may change to better align with audit report schedules.

Through the audit effort, the men and women of the Military Departments, defense agencies, service providers and the financial management community strive, as Secretary Mattis wrote, to "leave this Department in even better shape for those that follow."

Appendix 1. Full Financial Statement Audit Notification Letters and Memoranda

As the Department entered into full financial statement audit in FY 2018, the following memoranda and letters were sent to the DoD IG, DoD personnel, and Congress:

1. "Memorandum for Inspector General of the Department of Defense. Subject: Department of Defense Notification of Full Financial Statement Audit Readiness." Signed by Secretary of Defense James N. Mattis; and Under Secretary of Defense (Comptroller)/Chief Financial Officer David L. Norquist. Officially notifying the DoD IG that the DoD financial statements were ready for audit.
2. "Memorandum for All Department of Defense Soldiers, Marines, Sailors, Airmen, and Civilian Employees. Subject: Auditing the Books of the Department of Defense." Signed by Deputy Secretary of Defense Patrick M. Shanahan. Notifying all personnel that the audits were beginning and established correcting audit findings as a priority.
3. Letters to each chair, with courtesy copy to the ranking member, of the Senate Committee on Armed Service; House Committee on Armed Services; Senate Committee on Appropriations; House Committee on Appropriations; Senate Committee on Appropriations, Subcommittee on Defense; and House Committee on Appropriations, Subcommittee on Defense. Signed by Secretary of Defense James N. Mattis. Notifying Congress that full financial statement audits would begin in FY 2018.

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OFFICE OF THE SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

SEP 27 2017

MEMORANDUM FOR INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE

SUBJECT: Department of Defense Notification of Full Financial Statement Audit Readiness

This memorandum is official notice that Department of Defense (DoD) financial statements are ready for audit. This notice relies on the Military Departments' and other defense organizations' assessments of their overall progress in preparing for standalone full financial statement audits or, where applicable, their participation in an agency-wide consolidated audit. It is not a management representation that the DoD expects an unmodified audit opinion on its agency-wide consolidated financial statements, and it is not a certification pursuant to section 1008(f) of Public Law 107-107 (10 U.S.C. § 2222 note) that the financial statements for the DoD or components thereof are reliable. Collectively, the DoD has the following capabilities (i.e., processes and systems) in place that allow an auditor to scope and perform an audit of full financial statements, that results in actionable feedback on:

- Universe of transactions - The DoD can provide detailed accounting transactions for material financial statement line items;
- Fund balance with Treasury - The DoD can provide processes to reconcile fund balance with the Department of the Treasury;
- Journal vouchers - The DoD can provide a list of material journal vouchers and support;
- Existence, completeness, and rights and obligations and valuation of assets - The DoD can provide asset populations and has applied alternative valuation methods to certain asset categories; and
- Environmental and disposal liabilities for real property and general equipment - The DoD has identified and valued its liabilities.

The DoD is prepared to present its processes, systems, and documentation, but anticipates multiple reportable audit findings from the outset. The DoD has supporting documentation, but auditors may find issues with the completeness, sufficiency, and/or adequacy of the documentation. The DoD will initially measure its audit progress, not by the audit opinions received, but by the number of findings closed year over year, the accuracy and velocity of remediation, improved execution of funds, and improved property accountability and utilization in support of Warfighters' needs and taxpayers' interests.

While the DoD is prepared for audit, it continues to address the following deficiencies:

OSD011410-17/CMD015224-17

- Uncorrected information technology (IT) controls - Some of the Department's IT systems may have outstanding corrective actions, such as improving controls over access and segregation of duties;

- Journal vouchers - The DoD continues to use large numbers of unsupported journal vouchers; and

- Property valuation - The DoD's valuation of property may not be completed for select categories of assets.

Finally, the DoD understands that obtaining audit success initially will require satisfactory results of large substantive tests and intensive audit inventory procedures. Your staff and that of the Government Accountability Office agree that this approach is the best way to make meaningful progress. Sustainment will come as the DoD shifts from a substantive audit focus to an internal controls and IT controls based approach that will require improvements in financial and financial feeder business systems. This will also strengthen the DoD's management internal controls program under Office of Management and Budget Circular A-123.

The DoD point of contact is Ms. Alaleh Jenkins. Reach her at 703-614-6524 or by electronic mail at alaleh.a.jenkins.civ@mail.mil.

David L. Norquist
Under Secretary of Defense (Comptroller)/
Chief Financial Officer

James N. Mattis
Secretary of Defense

DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

SEP 27 2017

MEMORANDUM FOR ALL DEPARTMENT OF DEFENSE SOLDIERS, MARINES, SAILORS, AIRMEN, AND CIVILIAN EMPLOYEES

SUBJECT: Auditing the Books of the Department of Defense

The Department of Defense will begin a full financial statements audit in FY 2018. When the President made a promise to the American people to rebuild the U.S. Armed Forces, he also made a commitment to start the audit. We have asked the American taxpayers to entrust us with over $600 billion each year. We should welcome the accountability.

Audits examine the accuracy of our financial information. They also test whether we can account for our assets, to include military equipment, spare parts, munitions, and other supplies. They test our information technology controls to include access to our systems. Financial audits are not about paperwork—they are about doing our job correctly.

Our annual regimen of financial statement audits will be the largest ever undertaken. What we do next with auditor findings and recommendations is the most important part of the process. I expect each of you to make it your priority to correct problems identified in these audits. This Department is the last federal agency to not have a clean agency-wide financial audit opinion. This must change. We must lead and not lag behind.

The President and I are committed to giving you what you need to rebuild our forces and defeat the enemy. These audits will give you, your commanders, and your leaders the reliable information you need to set things right—to exercise your judgment and meet your mission.

I am proud to serve alongside you.

Patrick M. Shanahan

OSD011410-17/CMD015225-17

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THE SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

SEP 27 2017

The Honorable John McCain
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The Department of Defense (DoD) will begin a full financial statements audit in fiscal year (FY) 2018. As we work together to fulfill our nation's commitment to our troops, it is vitally important that Congress and the American people have confidence in DoD's management of every dollar entrusted to it. Being under audit goes hand-in-hand with rebuilding and modernizing our armed forces, and the time to audit the DoD is now. This is a fundamental part of my goal to reform the way we do business, to include having fewer but more capable business systems.

Strengthening DoD management is essential to our national security and advances my number one priority of defending the American people. Direct feedback from auditors keeps audit remediation in the forefront of our day-to-day work and helps us be accountable to DoD decision-makers as well as responsive to you and other stakeholders.

This fall, we will begin onboarding the teams of auditors. By January 1, 2018, all audit contracts will have been awarded. Although the level of auditor activity will start slowly while the auditors design their testing protocols, audit activity will pick up speed in the third quarter of FY 2018, when the auditors begin testing and start providing initial feedback. The final audit reports will start being issued around November 15, 2018. This process will be repeated each year.

It will take time for the Department to go from being audited to passing an audit, but I am confident this is the most certain and cost-effective path to completing this mission. The audit has been many years coming, but we have turned that corner and have embarked on a new way of doing business. I appreciate your support and commitment to our men and women in uniform.

cc:
The Honorable Jack Reed
Ranking Member

THE SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

SEP 27 2017

The Honorable William M. "Mac" Thornberry
Chairman
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Department of Defense (DoD) will begin a full financial statements audit in fiscal year (FY) 2018. As we work together to fulfill our nation's commitment to our troops, it is vitally important that Congress and the American people have confidence in DoD's management of every dollar entrusted to it. Being under audit goes hand-in-hand with rebuilding and modernizing our armed forces, and the time to audit the DoD is now. This is a fundamental part of my goal to reform the way we do business, to include having fewer but more capable business systems.

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cc:
The Honorable Adam Smith
Ranking Member

THE SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

SEP 27 2017

The Honorable Thad Cochran
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The Department of Defense (DoD) will begin a full financial statements audit in fiscal year (FY) 2018. As we work together to fulfill our nation's commitment to our troops, it is vitally important that Congress and the American people have confidence in DoD's management of every dollar entrusted to it. Being under audit goes hand-in-hand with rebuilding and modernizing our armed forces, and the time to audit the DoD is now. This is a fundamental part of my goal to reform the way we do business, to include having fewer but more capable business systems.

Strengthening DoD management is essential to our national security and advances my number one priority of defending the American people. Direct feedback from auditors keeps audit remediation in the forefront of our day-to-day work and helps us be accountable to DoD decision-makers as well as responsive to you and other stakeholders.

This fall, we will begin onboarding the teams of auditors. By January 1, 2018, all audit contracts will have been awarded. Although the level of auditor activity will start slowly while the auditors design their testing protocols, audit activity will pick up speed in the third quarter of FY 2018, when the auditors begin testing and start providing initial feedback. The final audit reports will start being issued around November 15, 2018. This process will be repeated each year.

It will take time for the Department to go from being audited to passing an audit, but I am confident this is the most certain and cost-effective path to completing this mission. The audit has been many years coming, but we have turned that corner and have embarked on a new way of doing business. I appreciate your support and commitment to our men and women in uniform.

cc:
The Honorable Patrick J. Leahy
Vice Chairman

SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

SEP 27 2017

The Honorable Rodney P. Frelinghuysen
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

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cc:
The Honorable Nita M. Lowey
Ranking Member

THE SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

SEP 27 2017

The Honorable Thad Cochran
Chairman
Subcommittee on Defense
Committee on Appropriations
United States Senate
Washington, DC 20510

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cc:
The Honorable Richard J. Durbin
Vice Chairman

THE SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

SEP 27 2017

The Honorable Kay Granger
Chairwoman
Subcommittee on Defense
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Madam Chairwoman:

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cc:
The Honorable Peter J. Visclosky
Ranking Member

Appendix 2. Frequently Asked Questions About the DoD Audit

The Department's spending is roughly equal to the discretionary spending of all the other CFO Act agencies combined. The Department's assets totaled about $2.4 trillion in FY 2016. The DoD reporting entities that have already received a clean audit opinion on their full financial statements account for more than $10 billion in discretionary spending, which is more than the discretionary spending of several individual CFO Act agencies. Following are answers to some frequently asked questions about the DoD audits.

AUDIT BASICS

What is a financial statement audit?

During a financial statement audit, an independent certified public accounting firm or the DoD Office of Inspector General examines an organization's books and records as well as the effectiveness of operations.

Auditors review inventory and property from "book to floor" and "floor to book." In other words, auditors select inventory and property from systems of record and verify that the organization physically possesses the asset. Auditors review non-financial documentation, such as invoices to validate the payment was valid and authorized. Auditors review estimates for environmental liabilities on military installations to determine if adequate liabilities were recorded in the financial statements. Auditors perform tests over information technology system controls, such as access controls. Auditors also test controls over unauthorized access—directly supporting DoD cybersecurity goals.

Auditors issue a positive opinion when, as a result of these assessments, they have confidence in the books and records and are of the opinion that the financial statements are fairly presented. If the Department does not "pass" enough of the auditors' tests, an audit opinion may be effected.

What do the different audit opinions mean?

An unmodified or clean opinion means the auditor concluded the financial statements are fairly presented and in accordance with accounting principles. A modified opinion means the financial statements are fairly presented with exceptions. An adverse opinion means there are material misstatements or the financial statements do not comply with accounting principles. A Disclaimer of Opinion is issued when the auditor was unable to obtain sufficient evidence to opine on the reliability of the financial statements.

Why hasn't the Pentagon been audited before?

There are literally hundreds of program or compliance audits conducted across the Department every year. And the Department has undergone successful financial statement audits of several entities. However, in FY 2018, the Department will, for the first time, complete an independent full financial statement audit across business processes and systems, as required by law.

THE DOD AUDIT

What is the scope of the DoD FY 2018 audit?

The FY 2018 audits are assessing all four financial statements: Balance Sheet, Statement of Budgetary Resources, Statement of Net Cost, and Statement of Changes in Net Position. The full financial statement audit will include auditing $2.4 trillion in assets on the balance sheet, and $590 billion in net cost of operations (these amounts are based on the FY 2016 financial statements).

How many audit contracts are there and when do they begin?

There will be more than 24 standalone financial statement audits and a DoD consolidated audit conducted by the DoD OIG.

In Fall 2017, the Department will begin onboarding the teams of auditors. By January 1, 2018, all audit contracts will have been awarded. Although the level of auditor activity will start slow while the auditors design their testing protocols, audit activity will pick up speed in the third quarter of FY 2018, when the auditors begin testing and start providing initial feedback. By November 15, the final audit report will be issued. This process will be repeated each year.

When will the auditor's report be issued?

Financial audits occur throughout the fiscal year. The final report is issued by November 15 of each year and covers the statements produced as of the end of the fiscal year that just ended. For FY 2018, for example, the books are closed and financial reports produced as of September 30, 2018. The Department has to issue the FY 2018 Agency Financial Report, including the audit report, by November 15, 2018.

What kind of opinion is expected and would an "intent to disclaim" represent a setback?

The Department is not expecting a clean opinion. In the initial years of these audits, an intent to disclaim would not be surprising. The Department will use audit findings to target and track corrections. Our ability to demonstrate progress and hold the right folks accountable depends on acting on this feedback.

What are the major impediments to getting to a clean audit opinion?

The Department has identified some critical areas needing attention, such as system changes and reducing or supporting journal vouchers. The audit will help to further refine these efforts and ensure work and resources are focusing in the right direction.

LEGISLATIVE REQUIREMENTS AND REGULATORY STANDARDS

What law requires the audit?

The Chief Financial Officers Act of 1990 (PL 101-576) requires each federal agency to prepare timely, complete, consistent, and reliable financial statements and for those financial statements to be independently audited. In order to ensure financial information is reliable, federal agencies must improve their systems of accounting, financial management, and internal controls.

What other laws apply?

The Federal Financial Management Improvement Act of 1996 (Public Law (PL) 104-208) (FFMIA) requires federal agencies to have a financial management system that provides accurate, reliable, and timely financial management information to government managers.

The Federal Managers' Financial Integrity Act of 1982 (PL 97-255) (FMFIA) requires establishing, evaluating, and maintaining effective internal controls over programs and operations, as well as financial reporting.

The Federal Information Security Management Act of 2002 (PL 107-347) (FISMA) requires each federal agency to develop, document, and implement an agency-wide program to provide information security for the information and information systems that support the operations and assets of the agency.

What regulatory authorities and tools apply?

Government Accountability Office (GAO):

- The Generally Accepted Government Auditing Standards (GAGAS) or "The Yellow Book," developed by GAO, dictates government auditing standards.
- GAO Federal Information Systems Controls Audit Manual (FISCAM) presents a methodology for performing information system control audits of federal entities. FISCAM uses technical guidance issued by the National Institute of Standards and Technology (NIST).
- The "Green Book," developed by GAO, provides detailed internal control concept guidance.

Office of Management and Budget (OMB):

- Apportions funds to and oversees budget for all government agencies. OMB uses the GAO Green Book to establish internal control standards.
- Issues guidance to executive branch agencies in the form of OMB Circulars

What is GAAP?

GAAP stands for Generally Accepted Accounting Principles. GAAP informs the tactical execution of all financial statement-related laws and regulations. Various pronouncements constitute GAAP's rules and guidelines related to financial statements. The Federal Accounting Standards Advisory Board (FASAB) establishes a hierarchy of authoritative literature to be applied.

FREQUENTLY USED TERMINOLOGY

Types of Reporting Entity Funds:

General Fund: Receipt and expenditure funds arising from congressional appropriations or other authorizations to spend general revenues.

Working Capital Fund: A fund established to finance inventories of supplies, industrial-type activities, and commercial-type activities that provide common services within or among DoD departments and agencies. These activities are financed through user charges to the General Fund.

Types of Audit Opinions:

Unmodified (clean) opinion: The auditors determine the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Modified opinion: The auditors determine the financial statements are presented fairly except for specific financial statement line items or areas where deficiencies were not pervasive.

Adverse opinion: The auditors determine there are material misstatements or the financial statements do not comply with accounting principles.

Disclaimer of opinion: In wide-spread areas, the auditors are unable to obtain sufficient audit evidence on which to base the opinion.

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Appendix 3. The DoD IT Systems Environment

The Department's IT systems environment includes numerous legacy systems, core enterprise systems, and Enterprise Resource Planning systems (ERPs) that support the major end-to-end processes. Most of the business legacy systems were originally designed to support specific functional purposes, such as human resource management, property management, and logistics management, and not designed for auditable financial statement reporting. As a result, transactions pass through several different systems as they move through the different functional areas.

The Department is moving toward a target systems environment that better integrates business processes and reduces the number of legacy systems. However, the FY 2018 audits will include both legacy systems and systems that will be part of the Department's target systems environment, including ERPs.

SYSTEMS MATERIAL TO AUDIT

Figure A3-1, Audit Readiness Status of Systems Material to Audit, lists DoD-owned systems currently considered material to audit and indicates the mission area and reporting entities affected by that system. The Department expects the number and composition of systems relevant to audit to change over time as the audits mature and the IPAs continue to assess systems and operating environments.

Column headings are defined as:

- System – Commonly used acronym for the system name. (See Appendix 5 for a definition of acronyms.)
- System Owner – Organization responsible for the procurement, development, integration, modification, operation, maintenance, and retirement of the system.
- Under SSAE No. 18 Examination – Indicates whether the system is subject to annual SSAE No. 18 examinations so that auditors for other reporting entities can rely on the examination report.
- Retirement Date – Year in which the system owner plans to retire the system.
- Target System – Name of the system that will replace it. TBD means that a replacement system has not been determined. No Plans means that the system owner has no plans to brown out the system.
- Business Area – Business area the system addresses.
- Reporting Entities – Indicates which reporting entities consider that system material to their financial statement audit.

Figure A3-1. Audit Readiness Status of Systems Material to Audit

System	System Owner	Under SSAE No. 18 Examination	Retirement Date	Target System	Business Area	Reporting Entities									
						Army	Navy	USMC	Air Force	DHA	DISA	DLA	USSOCOM	USTRANSCOM	ODOs
ABACUS	DHA		2027	TBD	Financial Management					●					
ABS	Air Force			No Plans	Material Supply & Service Management				●						
ABSS	Air Force		2025	DEAMS	Financial Management				●	●			●		
ACES	Air Force		2025	NexGen IT	Real Property & Installation				●						
ACPS	Air Force		2022	CON-IT	Weapons Systems				●						
ADIS	Air Force		2022	CON-IT	Weapons Systems				●						
ADS	DFAS	●	2030	TBD	Financial Management	●	●	●	●	●	●	●	●	●	●
ADS IPAC Mega Wizard	DFAS	●		No Plans	Financial Management	●		●	●	●	●	●		●	●
AESIP HUB	Army			No Plans	Material Supply & Service Management	●									
AF DSS	Air Force			No Plans	Material Supply & Service Management				●						
AFEMS	Air Force			No Plans	Material Supply & Service Management				●				●		
AFM	Air Force			No Plans	Financial Management				●						
AFPROMS	Air Force			No Plans	Human Resource Management				●						
AFT	DFAS		2030	TBD	Financial Management	●									
ALMSS	Air Force			No Plans	Material Supply & Service Management				●						
ANAD ASRS	Army			No Plans	Material Supply & Service Management	●									
APO	Air Force			No Plans	Financial Management				●						
APPMS	Army		2050	TBD	Material Supply & Service Management	●									

System	System Owner	Under SSAE No. 18 Examination	Retirement Date	Target System	Business Area	Reporting Entities									
						Army	Navy	USMC	Air Force	DHA	DISA	DLA	USSOCOM	USTRANSCOM	ODOs
AROWS	Air Force			No Plans	Human Resource Management				●					●	
AROWS-R	Air Force		2023	AF IPPS	Human Resource Management				●					●	
Red River ASRS	Army			No Plans	Material Supply & Service Management	●									
ATAAPS	DISA	●		No Plans	Human Resource Management	●			●	●	●		●		●
AWRDS	Army		2022	GCSS-Army	Material Supply & Service Management	●									
BAM	DFAS	●	2030	TBD	Financial Management	●	●	●	●	●	●	●	●	●	●
BERT	DISA	●		No Plans	Financial Management						●				
CAPS-W	DFAS	●	2030	TBD	Financial Management	●		●		●	●		●		●
CARIS	Navy		2025	TBD	Financial Management		●								
CAS	Air Force			No Plans	Material Supply & Service Management				●						
CASPR	Air Force			No Plans	Human Resource Management				●						●
CAV AF	Air Force			No Plans	Material Supply & Service Management				●						
CCAS-AF	DFAS			No Plans	Financial Management				●	●			●	●	●
CCAD ASRS	Army			No Plans	Material Supply & Service Management	●									
CCE	DHA		2027	TBD	Human Resource Management					●					
CDAS	Air Force			No Plans	Material Supply & Service Management				●						
CDS:ADS-3801	DFAS		2030	TBD	Financial Management				●	●					●
CEFMS	Army		2050	TBD	Financial Management	●			●	●		●	●		●
CEMS	Air Force			No Plans	Material Supply & Service Management				●						
CEPR (VISTA)	DFAS		2030	TBD	Financial Management										

System	System Owner	Under SSAE No. 18 Examination	Retirement Date	Target System	Business Area	Reporting Entities									
						Army	Navy	USMC	Air Force	DHA	DISA	DLA	USSOCOM	USTRANSCOM	ODOs
CFMS-CNIC	Navy		2030	CFMS (consolidated)	Financial Management		●								
CHCS	DHA		2024	MHS GENESIS	Human Resource Management					●					
CHOOSE	DFAS		2018	TBD	Financial Management						●				
CIDS	Air Force		2022	CON-IT	Weapons Systems				●						
CIRCUITS	Navy		2030	TBD	Real Property & Installation		●								
CMCS	Air Force			No Plans	Financial Management				●					●	
CMOS	Air Force			No Plans	Material Supply & Service Management				●						
COINS	USTRANSCOM		2021	TBD	Material Supply & Service Management									●	
ConWrite	Air Force		2021	CON-IT	Weapons Systems				●	●					●
CRIS	Air Force			No Plans	Financial Management				●	●				●	
DAAS	DLA	●	2030	TBD	Material Supply & Service Management	●	●	●	●	●	●	●	●	●	●
DAI	DLA	●		No Plans	Financial Management	●				●		●	●		●
DAPS	DoDEA		2025	TBD	Human Resource Management										●
DBMS	DFAS		2030	TBD	Financial Management										
DCAS	DFAS	●	2030	TBD	Financial Management	●	●	●	●	●	●	●	●	●	●
DCBS	USTRANSCOM		2025	TBD	Financial Management									●	
DCD/DCW	DFAS	●	2030	TBD	Financial Management			●		●	●	●	●	●	●
DCDS	DFAS		2030	TBD	Financial Management										
DCMS	DFAS		2030	TBD	Financial Management			●	●	●				●	●
DCMS	DISA	●	2019	FAMIS-CS Mod	Financial Management						●				
DCPDS	DHRA	●	2031	TBD	Human Resource Management	●	●	●	●	●	●	●	●	●	●

System	System Owner	Under SSAE No. 18 Examination	Retirement Date	Target System	Business Area	Reporting Entities									
						Army	Navy	USMC	Air Force	DHA	DISA	DLA	USSOCOM	USTRANSCOM	ODOs
DCPS	DFAS	●	2030	TBD	Human Resource Management	●	●	●	●	●	●	●	●	●	●
DDARS	DFAS		2021	TBD	Financial Management	●						●			●
DDMS	DFAS		2030	TBD	Material Supply & Service Management					●				●	
DDRS	DFAS	●	2030	TBD	Financial Management	●	●	●	●	●	●	●	●	●	●
DDS	DFAS		2030	TBD	Material Supply & Service Management	●									
DEAMS	Air Force			No Plans	Financial Management				●	●			●	●	●
DECKPLATE	Navy		2030	TBD	Material Supply & Service Management		●								
DFAS CDS	DFAS			No Plans	Financial Management										●
DIFMS	DFAS		2025	TBD	Financial Management		●		●						
DIFS	DFAS			No Plans	Financial Management				●						
DISA GEX	DLA		2018	DAAS	Financial Management	●	●	●	●	●	●	●		●	●
DJMS AC/RC	DFAS	●	2030	TBD	Human Resource Management	●	●		●						
DMAPS	Air Force			No Plans	Material Supply & Service Management				●						
DMAPS	DFAS			No Plans	Financial Management	●	●	●	●						
DMEA Personnel System	DMEA			No Plans	Human Resource Management										●
DMIS	DCAA			No Plans	Financial Management										●
DMLSS-R	DHA		2027	TBD	Material Supply & Service Management					●		●			
DMLSS-W	DLA		2027	TBD	Material Supply & Service Management							●			
DMO	DFAS	●	2025	TBD	Human Resource Management	●	●		●						

System	System Owner	Under SSAE No. 18 Examination	Retirement Date	Target System	Business Area	Reporting Entities									
						Army	Navy	USMC	Air Force	DHA	DISA	DLA	USSOCOM	USTRANSCOM	ODOs
DPAS	DLA	●	2030	TBD	Material Supply & Service Management	●	●	●			●	●	●		●
DRAS	DFAS			No Plans	Financial Management										●
DRRT	DFAS	●	2030	TBD	Financial Management	●				●	●	●	●	●	●
DSAMS	DSCA			No Plans	Weapons Systems				●						●
DSS	DLA	●	2030	TBD	Material Supply & Service Management	●	●	●	●			●			
DSSC	USMC		2017	GSA Enhanced Checkout	Material Supply & Service Management			●							
DTS	DHRA	●	2028	TBD	Human Resource Management	●	●	●	●	●	●	●	●	●	●
DWAS	DFAS		2030	TBD	Financial Management		●								
EAGLE	DLA		2030	TBD	Human Resource Management							●			
EAS	DFAS	●	2030	TBD	Financial Management	●	●	●	●	●	●			●	●
EBAS-D	WHS		2018	DAI	Financial Management										●
EBAS-TJS	TJS		2040	TBD	Financial Management										●
EBIS	Air Force			No Plans	Human Resource Management				●	●	●	●			●
EBIZ	DFAS			No Plans	Financial Management										●
EBS	DLA		2027	TBD	Material Supply & Service Management			●	●			●	●	●	●
EBS MAT	DLA			No Plans	Material Supply & Service Management							●			
EDA	DLA		2028	TBD	Weapons Systems		●	●	●	●	●	●		●	●
EDM	DLA		2025	TBD	Financial Management					●	●	●		●	●
EESOH – MIS	Air Force			No Plans	Real Property & Installation				●						
EFD	DLA		2029	TBD	Financial Management	●						●			●
ERMS/NITA	Navy		2025	TBD	Material Supply & Service Management		●								

System	System Owner	Under SSAE No. 18 Examination	Retirement Date	Target System	Business Area	Reporting Entities									
						Army	Navy	USMC	Air Force	DHA	DISA	DLA	USSOCOM	USTRANSCOM	ODOs
eTOOLS	DCMA	●		No Plans	Weapons Systems		●	●	●	●					●
EUD	DFAS	●	2030	TBD	Financial Management	●	●	●	●	●	●	●	●	●	●
EXMIS	Navy		2030	TBD	Material Supply & Service Management		●								
FAMIS-CS Mod	DISA			No Plans	Financial Management						●				
FAMIS-EAS	DISA		2019	FAMIS-EAS	Financial Management						●				
FABS	DISA		2019	FABS	Financial Management						●				
FASTDATA	Navy		2025	CFMS (consoli-dated)	Financial Management		●			●			●		●
FedDebt	DFAS			No Plans	Financial Management					●					
FedMall	DLA			No Plans	Weapons Systems		●		●			●			
FIS 2.0	Navy		2030	TBD	Real Property & Installation		●		●						
FMD	DLA		2020	TBD	Material Supply & Service Management							●			
FMSuite	Air Force			No Plans	Financial Management				●						
GAFS-R	DFAS		2030	TBD	Financial Management	●	●	●	●	●	●		●	●	●
GATES	USTRANSCOM		2025	TBD	Material Supply & Service Management									●	
GCSS-A	Army		2050	TBD	Material Supply & Service Management	●				●			●		●
GCSS-MC	USMC		2025	TBD	Material Supply & Service Management			●					●		
GDSS	USTRANSCOM		2025	TBD	Material Supply & Service Management									●	
GFEBS	Army		2050	TBD	Financial Management	●				●			●		●

System	System Owner	Under SSAE No. 18 Examination	Retirement Date	Target System	Business Area	Reporting Entities									
						Army	Navy	USMC	Air Force	DHA	DISA	DLA	USSOCOM	USTRANSCOM	ODOs
Guardian / CEMCA	Air Force			No Plans	Financial Management				●						
HQARS	DFAS		2020	TBD	Financial Management	●				●	●	●	●		●
IAPS	DFAS		2030	TBD	Financial Management				●	●			●		●
IATS	DFAS		2030	TBD	Human Resource Management	●		●		●					●
IBS	USTRANSCOM		2030	TBD	Material Supply & Service Management									●	
IEMS	Air Force			No Plans	Real Property & Installation				●						
IIT	Air Force			No Plans	Real Property & Installation				●						
ILSMIS	USMC		2022	TBD	Material Supply & Service Management			●							
ILSS	Air Force			No Plans	Material Supply & Service Management				●						
IMDB	Air Force			No Plans	Material Supply & Service Management				●						
IMDS-CDB	Air Force			No Plans	Material Supply & Service Management				●						
IMPS	Navy			No Plans	Material Supply & Service Management		●								
IMPS	Air Force		2021	TBD	Human Resource Management				●						
iNFADS	Navy		2030	TBD	Real Property & Installation		●	●	●				●		
iRAPT	DLA	●	2022	TBD	Financial Management	●	●	●	●	●	●	●	●	●	●
IRSS	Air Force			No Plans	Weapons Systems				●					●	
ITAPDB	Army			No Plans	Human Resource Management	●									
ITIMP	Navy		2025	TBD	Weapons Systems		●								
IWIMS	Air Force		2018	NexGen IT	Real Property & Installation				●					●	
JOCAS II	Air Force			No Plans	Financial Management				●						
JUSTIS	Army		2021	IPSS-A	Human Resource Management	●									

System	System Owner	Under SSAE No. 18 Examination	Retirement Date	Target System	Business Area	Reporting Entities									
						Army	Navy	USMC	Air Force	DHA	DISA	DLA	USSOCOM	USTRANSCOM	ODOs
LEAD ASRS	Army			No Plans	Material Supply & Service Management	●									
LMP	Army	●	2050	TBD	Material Supply & Service Management	●	●		●	●					
LSMIS	Navy		2030	TBD	Human Resource Management		●								
MATMF	Navy		2029	Maritime System Enterprise	Material Supply & Service Management		●								
MCORS	USMC		2030	TBD	Financial Management			●							
MCTFS	USMC		2030	TBD	Human Resource Management			●							
MILPDS	Air Force		2019	AF IPPS	Human Resource Management				●						
MOCAS	DFAS/DCMA	●	2025	TBD	Weapons Systems	●	●	●	●	●	●	●	●	●	●
MSC FMS	Navy		2030	TBD	Financial Management		●							●	
MSC-LES-ASH	Navy		2030	TBD	Material Supply & Service Management		●							●	
MXT	Air Force			No Plans	Real Property & Installation				●						
MyUnitPay	Army		2021	IPSS-A	Human Resource Management	●									
Navy ERP	Navy		2030	TBD	Material Supply & Service Management		●	●		●			●		●
NDMS (Maximo)	Navy			No Plans	Real Property & Installation		●								
NDSP WW	DoDEA		2025	TBD	Financial Management										●
NexGen IT	Air Force			No Plans	Real Property & Installation				●						
NROWS	Navy			No Plans	Human Resource Management		●								
NSIPS	Navy		2030	TBD	Human Resource Management		●								
NTCSS-RSUPPLY	Navy		2026	TBD	Material Supply & Service Management		●						●		

System	System Owner	Under SSAE No. 18 Examination	Retirement Date	Target System	Business Area	Reporting Entities									
						Army	Navy	USMC	Air Force	DHA	DISA	DLA	USSOCOM	USTRANSCOM	ODOs
ODS	DFAS	●	2030	TBD	Financial Management	●		●		●	●		●		●
OIS	Navy		2025	TBD	Material Supply & Service Management		●	●							
OnePay	DFAS	●	2030	TBD	Financial Management		●	●		●			●		●
PADDS	Army		2022	ACWS	Weapons Systems	●									
PBAS-FD/OC	DFAS		2030	TBD	Financial Management					●	●	●	●		●
PBAS-web	Air Force			No Plans	Financial Management				●						
PBIS	Navy		2021	TBD	Financial Management		●	●		●					
PDS	Air Force			No Plans	Financial Management				●						
PMRT	Air Force			No Plans	Weapons Systems				●						
PR BUILDER	USMC		2030	TBD	Weapons Systems			●					●		
PRIDE	Army		2026	GFEBS	Real Property & Installation	●									
PRPS	Air Force			No Plans	Material Supply & Service Management				●						
RAMPOD	Air Force			No Plans	Material Supply & Service Management				●						
REMIS	Army			No Plans	Material Supply & Service Management	●									
REMIS	Air Force		2050	TBD	Real Property & Installation				●				●		
RIA-JMTC ASRS	Army			No Plans	Material Supply & Service Management	●									
RLAS	Army		2022	IPSS-A	Human Resource Management	●									
RTS	Air Force			No Plans	Human Resource Management				●					●	
SAAS-MOD	Army	●	2027	TBD	Material Supply & Service Management	●									
SABRS	DFAS		2030	TBD	Financial Management			●					●		●
SAMIS	Air Force		2021	SAMIS	Material Supply & Service Management				●						

System	System Owner	Under SSAE No. 18 Examination	Retirement Date	Target System	Business Area	Reporting Entities									
						Army	Navy	USMC	Air Force	DHA	DISA	DLA	USSOCOM	USTRANSCOM	ODOs
SAMS	DFAS	●	2018	TBD	Financial Management		●								
SBR ArT	DFAS		2030	TBD	Financial Management				●						
SCRT	DFAS	●	2030	TBD	Financial Management	●	●	●	●	●	●		●	●	●
SCS	Air Force			No Plans	Material Supply & Service Management			●	●						
SeaCard	DLA			No Plans	Material Supply & Service Management							●			
SEAPORT	Navy		2022	ePS	Weapons Systems		●	●							●
SIDPERS	Army		2019	IPSS-A	Human Resource Management	●									
SLDCADA	Navy		2030	TBD	Human Resource Management		●	●		●			●	●	
SMAS	DFAS		2030	TBD	Financial Management				●	●				●	
SOMARDS	DFAS		2030	TBD	Financial Management	●				●			●		●
SPS/PD2	DLA		2023	TBD	Weapons Systems	●	●	●	●	●		●	●	●	●
STANFINS	DFAS		2030	TBD	Financial Management	●				●			●		●
STARS	DFAS	●	2030	TBD	Financial Management		●			●			●		●
STORES	DLA		2025	TBD	Material Supply & Service Management			●	●			●			
SUPDESK	Navy		2029	Maritime System Enterprise	Financial Management		●								
SYMIS-COST	Navy		2029	Maritime System Enterprise	Financial Management		●								
TFMS	USTRANSCOM		2019	DEAMS	Financial Management									●	
TFRS	DFAS			No Plans	Financial Management										●
TOPS	USTRANSCOM			No Plans	Financial Management									●	
TOPS	DoDEA			No Plans	Financial Management										
TRIRIGA	WHS			No Plans	Real Property & Installation										●

System	System Owner	Under SSAE No. 18 Examination	Retirement Date	Target System	Business Area	Reporting Entities									
						Army	Navy	USMC	Air Force	DHA	DISA	DLA	USSOCOM	USTRANSCOM	ODOs
TYAD ASRS	Army			No Plans	Material Supply & Service Management	●									
USMCMAX	USMC		2030	TBD	Real Property & Installation			●							
UTAPSWeb	Air Force			No Plans	Human Resource Management				●						
VISTA	DFAS			No Plans	Financial Management					●					
WAAS (DFAS)	DFAS			No Plans	Financial Management										●
WAAS (DISA)	DISA		2018	DAI	Financial Management						●				
WARS-NT	Army	●	2016	MHP	Material Supply & Service Management	●									

ENTERPRISE RESOURCE PLANNING SYSTEMS

ERP systems promote an efficient business environment, reduce the likelihood of human errors, and lessen the threats of systems susceptibility. ERPs also support the Department's ability to produce and sustain auditable financial statements. As many IT controls as possible are embedded in each ERP to reduce the possibility of human error and automate processes. The extent to which internal controls have been embedded within an ERP depends on the system and program maturity, as well as the ERP's business purpose.

The Military Departments' ERPs help to strengthen internal controls, mitigate material weaknesses, and aid in achieving a clean opinion. Plans for deploying ERPs vary, and the FY 2018 full financial statement audits include a combination of ERPs and legacy systems.

ARMY ERPS

General Fund Enterprise Business System (GFEBS)

GFEBS is the Army's General Fund web-enabled accounting, asset management, and financial system used to standardize, streamline, and share critical data across the active Army, Army National Guard, and Army Reserve. GFEBS serves as the source for consolidated Army General Fund financial reporting.

GFEBS Program Cost (Dollars in Millions)

Program Cost by Appropriation	To Date	At Full Operational Capability
Research, Development, Test, and Evaluation	$379.80	$379.80
Procurement	$271.40	$284.60
Operations and Maintenance	$535.60	$849.40

Logistics Modernization Program (LMP)

LMP is a fully integrated supply chain, maintenance, repair and overhaul, planning, execution, and financial management system. It is an ERP solution that manages and tracks orders and delivery of materiel from the Army Materiel Command to Soldiers.

LMP Program Cost (Dollars in Millions)

Program Cost by Appropriation	To Date	At Full Operational Capability
Research, Development, Test, and Evaluation	$1,284.84	$1,456.86
Procurement	$1,447.13	$2,769.15
Operations and Maintenance	$123.36	$180.23

Global Combat Support System – Army (GCSS-A)

GCSS-Army provides enterprise-wide supply chain logistics capability at the tactical and installation levels and enables the Army to achieve full audit readiness.

GCSS-A Program Cost (Dollars in Millions)

Program Cost by Appropriation	To Date	At Full Operational Capability
Research, Development, Test, and Evaluation	$1,059.80	$1,063.70
Procurement	$872.10	$891.00
Operations and Maintenance	$1,977.70	$1,977.70

Integrated Personnel Pay System – Army (IPPS-A)

IPPS-A is the Army's web-based solution for integrating human resources capabilities across Army components. IPPS-A will alleviate the reliance on more than 40 stove-piped systems and will provide a centralized resource to soldiers, leaders, and human resource professionals for managing personnel and pay information.

IPPS-A Program Cost (Dollars in Millions) costs not updated

Program Cost by Appropriation	To Date	At Full Operational Capability
Research, Development, Test, and Evaluation	$190.00	$190.90
Procurement	$0.50	$0.50
Operations and Maintenance	$16.40	$16.40

NAVY ERP

Navy ERP

Navy ERP reached full deployment in 10/2012 with the Financial & Acquisition Management and the Wholesale & Retail Supply releases. There are approximately 72,000 users. The program has been making progress since 2012 at enabling all relevant audit controls.

Navy ERP Program Cost (Dollars in Millions)

Program Cost by Appropriation	To Date	At Full Operational Capability
Research, Development, Test, and Evaluation	$316.30	$316.30
Procurement	$73.10	$73.10
Operations and Maintenance	$430.10	$430.10

MARINE CORPS ERP

Global Combat Support System - Marine Corps/Logistics Chain Management Increment 1 (GCSS-MC/LCM Increment 1)

GCSS-MC provides the core of a modern, web-enabled, centrally managed Logistics Chain Management enterprise system. GCSS-MC/LCM Increment 1 is the ERP for supply and maintenance.

The following costs have been adjusted from prior FIAR reports to reflect full cost at full operational capability to include all previous and current increments.

GCSS-MC/LCM Program Cost (Dollars in Millions)

Program Cost by Appropriation	To Date	At Full Operational Capability
Research, Development, Test, and Evaluation	$290.30	$290.30
Procurement	$124.00	$124.00
Operations and Maintenance	$398.60	$398.60

AIR FORCE ERPS

Defense Enterprise Accounting and Management System (DEAMS)

DEAMS is an automated accounting and financial management system for the Air Force and USTRANSCOM. DEAMS is currently deployed to over half of its expected user base of 23,500 and is operating at 131 Active, Reserve, and Air National Guard locations.

DEAMS is compliant with laws, regulations, and policies; permits response to statutory, regulatory, and policy changes; enables audit opinions; supports assurances on internal controls; assists in resolving material weaknesses; and supports analysis of financial events.

DEAMS Program Cost (Dollars in Millions)

Program Cost by Appropriation	To Date	At Full Operational Capability
Research, Development, Test, and Evaluation	$628.81	$811.21
Procurement	$32.85	37.09
Operations and Maintenance	$224.15	$625.07

Air Force Integrated Personnel and Pay System (AFIPPS)

AFIPPS integrates military human resources and pay systems for the total force, which consists of more than 500,000 Air Force active, guard, and reserve members.

AFIPPS Program Cost (Dollars in Millions)

Program Cost by Appropriation	To Date	At Full Operational Capability
Research, Development, Test, and Evaluation	$209.20	$344.50
Procurement	$0.00	$18.60
Operations and Maintenance	$52.40	$396.80

DEFENSE AGENCIES

Defense Agencies Initiative (DAI)

DAI is the primary accounting system used by 20 Defense Agencies and other Defense organizations.

The following costs have been adjusted from prior FIAR reports to reflect full cost at full operational capability to include all previous and current increments.

DAI Program Cost (Dollars in Millions)

Program Cost by Appropriation	To Date	At Full Operational Capability
Research, Development, Test, and Evaluation	$389.70	$502.70
Procurement	$1.50	$1.50
Operations and Maintenance	$145.60	$454.00

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Appendix 4. HASC Panel on Defense Financial Management and Auditability Reform Recommendations

The House Armed Services Committee (HASC) Panel on Defense Financial Management and Auditability Reform reviewed the Department's capacity for providing timely, reliable, and useful information for decision-making and reporting. The review comprised eight hearings, which covered a broad range of DoD financial management issues with representatives from the Defense Department, GAO, and the private sector. The review was concluded January 24, 2012. The panel issued a report summarizing its findings and providing recommendations to the Department in four categories:

1. Financial Management and Audit Readiness Strategy and Methodology (All recommendations previously or newly met.)
2. Challenges to Achieving Financial Management Reform and Auditability
3. Financial Management Workforce (All recommendations previously or newly met.)
4. Enterprise Resource Planning System Implementation Efforts

The Department reports progress against each recommendation in the FIAR Plan Status Report. Status is described as met or partially met. GAO defines these as:

- Met – No significant actions need to be taken to further address the recommendation
- Partially Met – Some, but not all, actions necessary to address the recommendation have been taken

FUTURE FIAR REPORTS

With the beginning of full financial statement audits, the Department will no longer separately report progress against open HASC Panel recommendations. Instead, the Department will report progress on implementing corrective actions to address IPA findings from the full financial statement audits.

RECOMMENDATIONS PREVIOUSLY MET

Of the 29 recommendations, 13 have been previously reported as met:

1.1 The Department's FIAR strategy for Wave 4 (Full Audit Except for Legacy Asset Valuation) should include a complete analysis of interdependencies among Waves 1 – 3 and Wave 4.

1.2 The Department should establish a DoD Financial Reporting element, or wave, that includes a process for consolidating the Components' financial information into the DoD's agency-wide financial statements. The Department should report this element's audit readiness progress in the FIAR Plan Status Report.

1.6 The FIAR Governance Board should attest to whether the DoD is on track to achieve audit readiness in 2017 in each FIAR Plan Status Report.

2.1 The Department should include objective and measurable criteria regarding FIAR-related goals in its senior personnel performance plans and evaluations. Performance evaluated on the basis of such criteria should be appropriately rewarded or held accountable. Evaluated performances should be documented and tracked to measure progress over time.

2.2 To improve oversight of the FIAR effort, the Department should require each DoD component senior executive committee to review its corresponding component's audit readiness assertion packages for compliance with the FIAR Guidance prior to submission of those packages to the OUSD(C) for validation.

2.3 The Department should develop comprehensive corrective action plans to address existing material weaknesses and those identified during the FIAR effort.

2.5 To reduce Anti-Deficiency Act (ADA) violations, the Department should:

- Perform an analysis of the causes for its ADA violations and then develop and implement procedures to address identified causes.
- Ensure that key funds control personnel are adequately trained to prevent, detect, and report ADA violations.

2.8 The Department should develop a forum in which the military commands can share lessons learned from their respective audit readiness efforts.

2.9 The DoD Comptroller should include milestones along with the status of DoD financial service provider efforts to achieve effective controls over the major processes that affect DoD customers in the FIAR Plan Status Reports. These milestones should be consistent with the customer organizations' audit readiness milestones.

3.2 The Department should utilize the expertise of CPAs with financial statement audit experience in its audit readiness efforts as conducted by the federal civilian workforce or contracted personnel, as appropriate.

3.3 The Department should develop and implement effective financial training programs for personnel serving in functional communities outside of the financial management community.

3.4 The Department should develop and implement effective ERP training programs for personnel within and outside of the financial management community who utilize, or will be expected to utilize, an ERP system in their day-to-day operations. In developing these training programs, the Department should implement lessons learned from previous training provided to ERP users.

3.5 The Department should develop its proposal for an exchange program between the DoD and the private sector. In doing so, the Department should develop specific criteria, regarding the personnel to be exchanged and the organizations that would participate. The Department should then submit its proposal to the congressional committees of jurisdiction for consideration.

RECOMMENDATIONS NEWLY MET OR PARTIALLY MET

Since the May 2017 FIAR Report, six additional recommendations have been met. Figure A4-1 lists newly met recommendations and describes the actions taken. Figure A4-2 lists recommendations that remain partially met and describes actions taken.

Figure A4-1. HASC Panel Recommendations Met Since the May 2017 FIAR Report

HASC Panel Recommendation		Status	DoD Actions Taken and Planned
FIAR STRATEGY AND METHODOLOGY			
1.3	The DoD should re-evaluate its position on accepting historical asset costs when the Department nears auditability on its financial statements in light of certain allowances in federal accounting standards. The findings of a re-evaluation may support the development of an audit readiness strategy for valuing legacy asset balances.	Newly Met	The Department collaborated with FASAB to establish new accounting standards addressing historical asset valuation for Property, Plant, and Equipment and Inventory and Related Property. The new standards (Statements of Federal Financial Accounting Standards Nos. 48 and 50) were published in 2016 and greatly decrease the time and resources needed to establish opening balances. The Department has issued policy memos providing guidance on the application of the new standards and is incorporating these changes into the Financial Management Regulation. The Department is also participating in several FASAB task forces to address emerging accounting issues with official implementation guidance.
1.4	The Department should: (1) analyze the causes of FIAR Plan implementation difficulties; (2) develop and implement corrective action plans to address identified weaknesses or deficiencies; and (3) develop a communications plan to circulate any resulting lessons learned throughout the Department.	Newly Met	The FIAR Directorate continues to support and monitor Components under audit or examination. Lessons learned from audits and examinations have allowed the Department to develop an audit response infrastructure to facilitate the Department's full financial statement audits. FIAR goals are also included in all Senior Executive Service (SES)-level performance goals to drive change and accountability. Additionally, the FIAR Directorate has deployed a tracking tool to facilitate monitoring and tracking of Department NFRs and corrective actions. The tool is also a medium for sharing lessons learned. This information is provided routinely at regularly scheduled FIAR Governance Board meetings. Where

HASC Panel Recommendation		Status	DoD Actions Taken and Planned
			there are pervasive issues, DoD-wide initiatives are established, in some cases through the Defense Accounting Solutions Working Group, to implement a consistent solution. The Department promotes sharing of lessons learned and best business practices, which are communicated during FIAR Governance Board, FIAR Committee, and FIAR Sub-Committee meetings, working groups, and other forums.
1.5	The Under Secretary of Defense (Comptroller), in consultation with the Deputy Chief Management Officer of the Department of Defense, the secretaries of the military departments, and the heads of the defense agencies and field activities, should incorporate risk mitigation plans to support the meeting of future interim milestones in the FIAR Plan.	Newly Met	The Department executed a four-pronged approach to address risk management: 1) Identified audit readiness deal-breakers, now referred to as critical capabilities, by reviewing past audits, using the experience of IPA firms, and analyzing the results from quality assurance reviews of assertion packages. The DCFO and DCMO monitor and track the status of the critical capabilities and related milestones. 2) Defined the critical path for achieving full financial statement auditability for FY 2018. Tasks and milestones have been included in the FIAR Guidance and the semiannual FIAR report. 3) Reinforced the importance of internal controls over areas of significant risk by updating the FIAR Guidance with a new chapter dedicated to internal controls and by deploying an NFR database to monitor corrective actions. 4) Implemented new A-123 enterprise risk management requirements; and identify, track, and report on material weaknesses that require corrective actions in the Annual Statement of Assurance.

HASC Panel Recommendation		Status	DoD Actions Taken and Planned
CHALLENGES TO ACHIEVING FINANCIAL MANAGEMENT REFORM AND AUDITABILITY			
2.4	To reduce improper payments, the Department should re-evaluate its methodology for identifying and reporting improper payments.	Newly Met	DFAS, in coordination with OUSD(C), revised its sampling plans for Commercial Pay, Military Pay, Civilian Pay, and Travel Pay from simple random sample designs to stratified random sample designs in accordance with OMB guidance and generally accepted statistical standards. The revised stratified sampling plan for Commercial Pay was implemented in FY 2014, and the revised stratified sampling plans for Military Pay, Civilian Pay, and Travel Pay were implemented in FY 2017. The United States Army Corps of Engineers, in coordination with OUSD(C) and DFAS, also revised its sampling plans for Travel Pay and Commercial Pay to stratified random sample designs. The revised stratified sampling plans will be implemented in FY 2018. This recommendation has been met.
2.7	The Department should identify and institutionalize best practices, as applicable, throughout the DoD to reinforce the full engagement of those functional communities outside of the financial management community in audit readiness efforts.	Newly Met	The Department continues to use the FIAR Governance Board, FIAR Committee meetings, working groups, and town hall forums to engage all relevant functional communities and discuss audit readiness challenges and best practices. As feedback is received from the auditors the Department will utilize these previously established forums to keep lines of communication open and ensure that Department is working together across all communities to improve processes.

HASC Panel Recommendation		Status	DoD Actions Taken and Planned
FINANCIAL MANAGEMENT WORKFORCE			
3.1	The Department should assess its financial management workforce and that of all other functional areas performing financial management-related functions regarding: (1) critical skills and competencies of the existing civilian employee workforce; (2) critical skills and competencies that may be needed over the next decade; (3) gaps between current requirements and existing workforce competencies; and (4) gaps between projected requirements and existing workforce competencies. The assessment should include federal civilian, military, and contracted personnel performing financial management-related functions.	Newly Met	The Department has made significant progress in assessing the financial management workforce and is taking a phased approach. Phases 1, 2, and 3 were completed in May 2014, May 2015, and March 2017, respectively. Phase 4 – Other Functional Communities: The Financial management (FM) Community works closely with the Acquisition Community to perform competency assessments for FM personnel assigned to acquisition's Business-Financial Management, Business-Cost Estimating, and Auditing career fields. FM included acquisition personnel in the 2014 and 2015 FM competency assessments and will include them in any future assessments. The Department has met the requirement to assess the civilian and military workforce (Section 845, FY 2016 National Defense Authorization Act). The panel also recommended the Department assess the competencies of contractor personnel performing financial management functions. However, assessing the competencies of contractor personnel performing financial management-related functions is outside the scope of responsibility and authority of the DoD financial management community. This recommendation has been met.

Figure A4-2. HASC Panel Recommendations Partially Met

HASC Panel Recommendations		Status	DoD Actions Taken and Planned
CHALLENGES TO ACHIEVING FINANCIAL MANAGEMENT REFORM AND AUDITABILITY			
2.6	To reduce problem disbursements, the Department should address the underlying causes of problem disbursements in its efforts to develop and implement ERPs.	Partially Met	DFAS provides monthly updates to metrics to better track progress on problem disbursements, in-transits, and unmatched disbursements. The metrics are sent to all Components for tracking and decision-making purposes. DFAS also identifies and tracks root causes, and develops and monitors improvement plans until issues are resolved. The Department will continue regular analyses until it can replace legacy systems with ERP systems.
ERP SYSTEM IMPLEMENTATION EFFORTS			
4.1	The Department should include additional details on ERP programs in the FIAR Plan Status Reports, including full deployment dates, when known, and key milestone dates. These status reports should describe the risks and potential consequences of: (1) failing to satisfy outstanding ERP functionality requirements; or (2) incurring future ERP milestone delays. The status reports should describe the mitigation measures taken by the Department to reduce these risks. The status reports should also explain any actual schedule slippages or cost increases and the actions taken by the DOD to remedy any such development.	Partially Met	The OUSD(C) and ODCMO agreed that FIAR Plan Status Reports should include more detail regarding ERP programs to better evaluate progress toward auditability and timely implementation of corrective actions, and to increase confidence in the management of these investments. Each FIAR report since 2012 has included a separate section on the nine Military Service ERPs and DAI. The Department is taking a data-driven approach to managing Defense business systems as portfolios of investments. The goal is to aggregate data from authoritative data sources and tools used by the PPBE, acquisition, and funds certification processes to track and manage the overall performance of systems portfolios including ERPs.

HASC Panel Recommendations		Status	DoD Actions Taken and Planned
4.2	The ERP program offices should integrate FIAR milestones into their program schedules. ERP program managers should be evaluated on their ability to maintain FIAR milestones as well as program acquisition-related milestones.	Partially Met	Each system program office is responsible for including requirements in their systems including FIAR requirements. The Services self-reported that they included FIAR milestones and requirements in their schedules. This only applies for the ERP systems in the acquisition process (e.g., DAI, DEAMS, IPPS). Programs in development were provided requirements for inclusion in their respective program schedules. ERPs are also incorporating systems changes resulting from findings discovered during audits and examinations. Systems changes are vetted via the Components systems' configuration control boards. The OUSD(C) developed a methodology for financial systems to incorporate audit readiness in the Investment Decision Memorandum and Acquisition Decision Memorandum processes. During the Investment Decision Memorandum process, and for all systems that affect financial reporting, the OUSD(C) provides input on each investment decision approval. The approval decision for each investment decision is contingent on the Component demonstrating that audit readiness and related compliance considerations have been incorporated into the work products for each relevant system and associated capability. Acquisition Decision Memoranda represent important checkpoints in the lifecycle of DoD systems and are critical to ensuring the expected outcomes are realized. For those systems that affect financial reporting, the OUSD(C) provides input for each acquisition decision approval at each business capability lifecycle milestone.

HASC Panel Recommendations		Status	DoD Actions Taken and Planned
4.3	The Department should develop ERP-related schedule and cost estimates based on best practices for future ERP deployments.	Partially Met	The Department agrees that better methods are needed for estimating ERP implementation costs and scheduling. Experience with these programs over the past 10 years, along with industry best practices, has helped shape the strategies being used in the management and oversight of ERP Implementations, including: • Increasing discipline in requirements management. • Reengineering business processes before focusing on material solutions. • Reducing customizations to commercial software. • Sustaining leadership involvement throughout the lifecycle. • Emphasizing organizational change management to ensure end-users understand the impact to their jobs. • Shifting Business Enterprise Architecture's framework to end-to-end processes to better guide and constrain ERP development and interoperability. • Introducing the Standard Financial Information Structure, Standard Line of Accounting, related business rules, and data attributes. • Expanding government's role for systems integration. • Measuring business performance consistently to assess ERP impacts. • Driving improvement through acquisition decisions. • Incorporating portfolio management methods to make the right investment decisions.

HASC Panel Recommendations		Status	DoD Actions Taken and Planned
			The DCFO is involved in the Defense Acquisition Executive System process during which the Department assesses the compliance of an ERP program in the acquisition process to financial management standards, including the FIAR Guidance. The DCFO provides input on status of programs based on Schedule, Performance, and Test and Evaluation as it relates to achieving the financial management laws, policies, and regulations.
4.4	The Department should evaluate changes to ERP requirements as those systems are developed, implemented, and utilized.	Partially Met	The Department agrees that ERP requirements must be managed throughout the development lifecycle, both within the program and through involved oversight (See Recommendation 4.3, above, on applying best practices for requirements management). Each ERP program and component system-owner has seen project scope creep and user-specific requirements cause cost and schedule challenges. The lesson learned has been to strengthen management discipline through change control boards and engaged, knowledgeable senior-leader steering groups. The Milestone Decision Authority, as part of the major automated information system acquisition and investment review processes, monitors and assesses ERP program cost, schedule, and performance at a macro level and takes appropriate actions to address risks.
4.5	The Department should evaluate its requirement process for ERP systems. The Department should assess the decision-making process, regarding ERP requirements, at every level of authority. The Department should then determine what, if any, changes may be needed.	Partially Met	The Department has evaluated and adjusted its requirement processes for Defense Business Systems over the last seven years. In 2010, the Department mandated the implementation of the Business Capability Lifecycle, which streamlines acquisition of Defense Business Systems and requires disciplined delivery of well-scoped capabilities to end-users in 18 months. The Business Capability Lifecycle operates within the established governance

HASC Panel Recommendations		Status	DoD Actions Taken and Planned
			framework, comprising the Investment Review Boards and Defense Business Systems Management Committee, which in turn advise the Milestone Decision Authority for the ERP programs. Working through the Major Acquisition Information System Milestone Decision Authority for systems, the DCFO can ensure requirements are being met, specifically during the acquisition milestone decision process and the annual investment review process. As a result, the DCFO included additional requirements in the Acquisition Decision Memorandum and Investment Decision Memorandum. The ODCMO and Military Department CMOs will continue to assess current practices for governing requirements and implement changes as necessary.
4.6	The Department should establish risk mitigation plans to address actual and potential weaknesses or deficiencies associated with the development, implementation, or utilization of its ERP systems that could affect the achievement of FIAR goals. At a minimum, each risk mitigation plan should: (1) identify measures for resolving any such weaknesses or deficiencies; (2) assign responsibilities within the Department to implement such measures; (3) specify implementation steps for such measures; (4) provide timeframes for implementing such measures; and (5) identify any alternative arrangements outside of the ERP environment that may be necessary for meeting FIAR objectives.	Partially Met	The Department agrees that thoughtful and thorough risk management (including identification, analysis, and mitigation) is required for effective information technology acquisition. The Department provides ample resources through the Defense Acquisition Guidebook, Program Manager Took Kit, and Defense Acquisition University that can guide and educate program personnel in effectively managing future uncertainties. The Defense Acquisition Guidebook Best Practices Clearinghouse also offers practices, evidence, and stories, including a large section on risk management. ERP programs, which follow the Defense Acquisition System for Major Automated Information Systems, are required to use these resources and manage risks appropriately. The FIAR methodology identifies financial programs and associated feeder systems, including ERP systems. All major

HASC Panel Recommendations		Status	DoD Actions Taken and Planned
			financial programs incorporate Risk Management Plans and track major risks and associated mitigation plans. Each Service reports on their respective programs at the regularly scheduled FIAR review sessions. In addition, FIAR processes being developed for input to the Investment Decision Memorandum and the Acquisition Decision Memorandum processes should permit a means to monitor progress of ERPs in relation to FIAR readiness and provide input on means for correcting any short comings Each Service has established a risk-management approach and should follow the DoD risk-management framework to assist in assessing their ERP system's audit readiness status.
4.7	The Department should evaluate lessons learned from previous data conversion efforts, and it should incorporate these lessons into its ERP data conversion plans. The Department should update its ERP data conversion plans periodically. Updates should include assessments of: the progress made in converting data into the ERP environment; whether that progress supports the satisfaction of existing requirements; and whether additional data conversion requirements would facilitate the achievement of FIAR objectives. The Department should also assess the merits of designating a senior official (such as the CMO or the DCMO) to be responsible for the coordination and managerial oversight of data conversion.	Partially Met	The Department revised its Federal Sector ERP Data Conversion Best Practices Guide in 2009 based on lessons learned since its original publication. The guide and a conversion tracking tool are available through the Defense Acquisition University's EI Tool Kit and is used by ERP program managers and staff in developing conversion strategies. In November 2013, the Under Secretary for Acquisition, Technology, and Logistics rescinded the delegation to DCMO to act as Milestone Decision Authority and the overarching Integrated Product Team lead for business systems, including all ERPs. It may be more appropriate to direct recommendations regarding the designation of a data-conversion requirements senior official to the Milestone Decision Authority. Data standards do exist in the Business Enterprise Architecture Standard Financial Information Structure (SFIS)/Standard Line of

HASC Panel Recommendations		Status	DoD Actions Taken and Planned
			Accounting (SLOA), which define the standard data element to be included in the system and how data should be implemented in a new system. The Services have learned from past experience. For example, the Air Force decided not to convert data for new users after an initial data conversion into DEAMS at Scott Air Force Base.
4.8	The Department should: (1) evaluate the causes of system interface problems; (2) determine whether the number of interfaces can be reduced (e.g., by incorporating activities performed by legacy systems into the ERPs); and (3) determine what improvements can be made to support more effective interfaces between systems.	Partially Met	As required by the FY 2012 National Defense Authorization Act, Section 901, the Department updated the Business Process Reengineering Assessment Guidance on September 28, 2012. In FY 2014, the business process reengineering assessment process was integrated in Organizational Execution Plan reviews to support investment decisions and validate the need to tailor commercial-off-the-shelf systems for unique requirements and interfaces, ensuring such requirements have been eliminated or reduced to the maximum extent practicable. The Department is increasingly approaching investment decisions with a portfolio view to reduce or eliminate unique requirements and interfaces. The Department is making process improvements across all systems through the implementation of strategic initiatives, including the use of the global exchange to increase the interoperability and exchanging of standardized data between systems. There is also a strategy to reduce the number of legacy systems over the next several years, reducing the need for a high number of interfaces and issues associated with point-to-point interfaces.

HASC Panel Recommendations		Status	DoD Actions Taken and Planned
4.9	The DoD DCMO, in coordination with the Director for Operation, Test and Evaluation and Deputy Assistant Secretary of Defense for Development, Test and Evaluation, should assess information system control testing needs for all ERPs being developed by the DoD and determine whether appropriate workforce levels and corresponding skill sets exist within the Department's developmental and operational test communities. The Department should take actions to address any identified shortfalls.	Partially Met	The Director, Operational Test & Evaluation (DOT&E) does not perform testing for all systems, but provides guidance to assist organizations in performing testing. In July 2014, the DCFO established an independent testing program with DCMO support through the Joint Interoperability Test Command to test systems for compliance with financial management requirements, such as SFIS, SLOA, and USSGL. Through October 2017, the Joint Interoperability Test Command has completed 16 independent assessments, 12 of which were associated with ERPs. Assessment results provide system owners with detailed, corrective actions necessary for the system to become fully SFIS compliant. Follow-on assessments will be conducted to validate whether corrective actions were properly implemented. For example, one of the first ERPs to undergo Joint Interoperability Test Command (JITC) testing in FY 2015 recently validated an improvement from 0 percent to 100 percent SFIS compliant in multiple categories.

Appendix 5. Acronyms

Acronym	Definition
ABACUS	Armed Forces Billing and Collection System
ABS	AMARC Business System
ABSS	Automated Business Services System
ACES	Automated Civil Engineers System-Real Property
ACPS	Contracting Laboratory Automated Contract Writing System
ADA	Anti-Deficiency Act
ADIS	Acquisition and Due-In System
ADS	Automated Disbursing System
AESIP Hub	Army Enterprise Systems Integration Program Hub
AF DSS	AF DISN Subscription Service
AFEMS	Air Force Equipment Management System
AFIPPS	Air Force Integrated Personnel Pay System
AFM	Automated Funds Management
AFPROMS	Air Force Promotions System
AFT	Army Fund Balance with Treasury Tool
ALMSS	Automated Logistics Management Support System

Acronym	Definition
ALTESS	Acquisitions, Logistics & Technology Enterprise Systems
ANAD ASRS	Anniston Army Depot Automated Storage and Retrieval System
APO	Automated Project Order
APPMS	Automated Personal Property Management System
ARC	Audit Response Tool
AROWS	Air Force Reserve Order Writing System
AROWS-R	Air Force Reserve Order Writing System - Reserves
ATAAPS	Automated Time & Attendance Production System
AUD-IT	Auditable Universe of Data – Intelligence Tool
AWRDS	Army War Reserve Deployment System
BAM	Business Activity Monitoring
BERT	Budget Execution Reporting Tool
CAP	Corrective Action Plan
CAPS-W	Computerized Accounts Payable System - Windows
CARIS	Corporate Automated Resource Information System
CAS	Combat Ammunition System

Acronym	Definition
CASPR	Central Adjudication Security Personnel Repository
CAV AF	Commercial Asset Visibility Air Force
CBDP	Chemical Biological Defense Program
CCAD ASRS	Corpus Christi Army Depot Automated Storage and Retrieval System
CCAS-AF	Columbus Cash Accountability System - Air Force
CCE	Coding and Compliance Editor
CDAS	Cryptologic Depot Accountability System
CDS	Centralized Disbursing System
CEFMS	Corps of Engineers Financial Management System
CEMS	Comprehensive Engine Management System (D042)
CEPR (VISTA)	Collections & Expenditures Processing Reconciliation (VISTA)
CFMS-CNIC	Command Financial Management System Support - Commander of Naval Installations Command
CFO	Chief Financial Officer
CHCS	Composite Health Care System
CIDS	Contracting Information Database System
CIO	Chief Information Officer

Acronym	Definition
CIRCUITS	Centralized and Integrated Reporting for the Comprehensive Utility Information Tracking System
CMCS	Case Management Control System
CMO	Chief Management Officer
COINS	Commercial Operations Integrated System
ConWrite	ConWrite
CRIS	Commanders' Resource Integration System
DAAS	Defense Automatic Addressing System
DAI	Defense Agencies Initiative
DAPS	DoDEA Allowance Processing System
DARPA	Defense Advanced Research Projects Agency
DBMS	Defense Business Management System
DCAA	Defense Contract Audit Agency
DCAS	Defense Cash Accountability System
DCBS	Distribution Component Billing System
DCD/DCW	Defense Corporate Database/Defense Corporate Warehouse
DCFO	Deputy Chief Financial Officer
DCMA	Defense Contract Management Agency

Acronym	Definition
DCMO	Deputy Chief Management Officer
DCMS	Departmental Cash Management System
DCMS	DISA Cash Management System
DCPDS	Defense Civilian Personnel Data System
DCPS	Defense Civilian Payroll System
DDARS	Defense Disbursing Analysis Reporting System
DDMS	Defense Debt Management System
DDRS	Defense Departmental Reporting System
DDRS-AFS	Defense Departmental Reporting System – Audited Financial Statements
DDRS-B	Defense Departmental Reporting System – Budgetary
DDS	Deployable Disbursing System-DFAS
DEAMS	Defense Enterprise Accounting and Management System
DeCA	Defense Commissary Agency
DECKPLATE	Decision Knowledge Programming for Logistics Analysis and Technical Evaluation
DFAS	Defense Finance and Accounting Service
DHA	Defense Health Agency

Acronym	Definition
DHA-CRM	Defense Health Agency – Contract Resource Management
DHP	Defense Health Program
DHRA	Defense Human Resources Activity
DIFMS	Defense Industrial Financial Management System
DIFS	Defense Integrated Financial System
DISA	Defense Information Systems Agency
DJMS AC/RC	Defense Joint Military Pay System Active Component/Reserve Component
DLA	Defense Logistics Agency
DMAPS	Depot Maintenance Accounting and Production System
DMEA	Defense Media Activity
DMIS	DCAA Management Information System
DMLSS-R	Defense Medical Logistics Standard Support - Retail
DMLSS-W	Defense Medical Logistics Standard Support - Wholesale
DMO	Defense MilPay Office
DoD	Department of Defense
DoD IG	Department of Defense Inspector General

Acronym	Definition
DoD OIG	Department of Defense Office of Inspector General
DoDEA	DoD Education Activity
DOT&E	The Director, Operational Test and Evaluation
DPAS	Defense Property Accountability System
DRAS	Defense Retiree and Annuitant System
DRRT	Defense Reconciliation and Reporting Tool
DSAMS	Defense Security Assistance Management System
DSCA	Defense Security Cooperation Agency
DSS	Defense Security System
DSS	Distribution Standard System
DSSC	Direct Support Stock Control
DTRA	Defense Threat Reduction Agency
DTS	Defense Travel System
DWAS	Defense Working Capital Fund Accounting System
EAGLE	Employee Activity Guide for Labor Entry
EAS	Entitlements Automation System
EBAS-D	Enterprise Business Accountability System - WHS

Acronym	Definition
EBAS-TJS	Enterprise Business Accountability System - Joint Staff
EBIS	Employee Benefits Information System
eBIZ	Business Management Redesign
EBS	Enterprise Business System
EBS MAT	EBS Material Access Technology
EDA	Electronic Data Access
EDM	Enterprise Data Management
EESOH - MIS	Enterprise Environment, Safety, and Occupational Health Management Information System
EFD	Electronic Funds Distribution
ERMS/NITA	Electronic Retrograde Management System and Navy Transit Accountability
ERP	Enterprise Resource Planning System
ES	Executive Summary
EUD	Elimination of Unmatched Disbursements
EXMIS	Expeditionary Equipment Management Information System
FAMIS-CS Mod	Federal Financial Accounting Management Information System - Computing Services Modernization

Acronym	Definition
FAMIS-EAS	Federal Financial Accounting Management Information System - Enterprise Accounting System
FASAB	Federal Accounting Standards Advisory Board
FASTDATA	Fund Administration and Standardized Automation
FBWT	Fund Balance with Treasury
FFMIA	Federal Financial Management Improvement Act of 1996
FIAR	Financial Improvement and Audit Readiness
FIS 2.0	Facilities Information System 2.0
FISCAM	Federal Information System Controls Audit Manual
FISMA	Federal Information Security Management Act
FM	Financial Management
FMD	Fuels Manager Defense
FMFIA	Federal Managers' Financial Integrity Act
FMSuite	Financial Management Suite
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAFS-R	General Accounting and Finance System – Reengineered
GAGAS	Generally Accepted Government Auditing Standards

Acronym	Definition
GAO	Government Accountability Office
GATES	Global Air Transportation Execution System
GCSS-A	Global Combat Support System-Army
GCSS-MC	Global Combat Support System-Marine Corps
GCSS-MC/LCM	Global Combat Support System-Marine Corps/Logistics Chain Management
GDSS	Global Decision Support System
GEX	Global Exchange
GFEBS	General Fund Enterprise Business System
Guardian / CEMCA	Guardian/Civil Engineering Master Cooperative Agreement
HASC	House Armed Services Committee
HQARS	Headquarters Accounting and Reporting System
IAPS	Integrated Accounts Payable System
IATS	Integrated Automated Travel System
IBS	Integrated Booking System
IEMS	Integrated Engineering Management System
IG	Inspector General
IIT	Integrated Information Tool

Acronym	Definition
ILSMIS	Industrial Logistics Support Management Information System
ILSS	Integrated Logistics Supply System
IMDB	Integrated Missile Database
IMDS-CDB	Integrated Maintenance Data System - Central Database
IMPS	Integrated Management Processing System
iNFADS	Integrated Navy Facilities Asset Data Store
IPA	Independent Public Accountant (or Accounting Firm)
IPPS-A	Integrated Personnel Pay System – Army
iRAPT	Invoicing, Receipt, Acceptance, and Property Transfer
IRSS	Information and Resource Support System
IT	Information Technology
ITAPDB	Integrated Total Army Personnel Database
ITIMP	Integrated Technical Item Management & Procurement
IWIMS	Interim Work Information Management System
JITC	Joint Interoperability Test Command
JOCAS II	Job Order Cost Accounting System
JUSTIS	JUMPS Standard Terminal Input System

Acronym	Definition
LEAD ASRS	Letterkenny Army Depot Automated Storage and Retrieval System
LMP	Logistics Modernization Program
LSMIS	Labor Management Support Information System
MATMF	Material Access Technology - Mission Funded
MCORS	Marine Corps Order Resource System
MCTFS	Marine Corps Total Force System
MDA	Missile Defense Agency
MERHCF	Medicare-Eligible Retiree Health Care Fund
MILPDS	Military Personnel Data System
MOCAS	Mechanization of Contract Administration Services
MRF	Military Retirement Fund
MSC FMS	Military Sealift Command Financial Management System
MSC-LES-ASH	Military Sealift Command Shipboard Logistics and Engineering Support - Ashore
MXT	Management, Execution, and Tracking
MyUnitPay	My Unit Pay
NAVFAC	Naval Facilities Engineering Command
NAVY ERP	Navy Enterprise Resource Planning

Acronym	Definition
NDMS (Maximo)	NAVAIR Depot Maintenance System (Maximo)
NDSP WW	Non-department of Defense School Program World Wide Application
NexGen IT	NexGen IT
NFR	Notice of Findings and Recommendations
NIST	National Institute of Standard and Technology
NROWS	Navy Reserve Order Writing System
NSIPS	Navy Standard Integrated Personnel System
NTCSS-RSUPPLY	Naval Tactical Command Support System - Relational Supply
ODCFO	Office of the Deputy Chief Financial Officer
ODCMO	Office of the Deputy Chief Management Officer
ODO	Other Defense Organization
ODS	Operational Data Store
OIG	Office of Inspector General
OIS	Ordnance Information System
OMB	Office of Management and Budget
OnePay	OnePay
OSD	Office of the Secretary of Defense

Acronym	Definition
OUSD	Office of the Under Secretary of Defense
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
PADDS	Procurement Automated Data and Document System
PBAS-FD/OC	Program Budget Accounting System-Funds Distribution/Order Control
PBASweb	Personnel Budget Accounting System (Web)
PBIS	Program Budget Information System
PDS	Project Data System
PL	Public Law
PMRT	Program Management Responsibility Transfer
PR BUILDER	Procurement Request Builder
PRIDE	Planning Resource for Infrastructure Data and Evaluation
PRPS	Purchase Request Process System
RAMPOD	Reliability, Availability, and Maintainability of Pods Database
REMIS	Reliability and Maintainability Information System
RIA-JMTC ASRS	Rock Island Arsenal Joint Manufacturing and Technology Center Automated Storage and Retrieval System
RLAS	Regional Level Application Software

Acronym	Definition
RTS	Reserve Travel System
SAAS-MOD	Standard Army Ammunition System-Modernization
SABRS	Standard Accounting, Budgeting and Reporting System
SAMIS	Security Assistance Management Information System
SAMS	Standard Army Maintenance System
SAMS	Suspense/Aging Monitoring System
SBR ArT	Statement of Budgetary Resources Air Force Reconciliation Tool
SCRT	Standard Contract Reconciliation Tool
SCS	Stock Control System
SEAPORT	SeaPort
SES	Senior Executive Service
SFIS	Standard Financial Information Structure
SIDPERS	Standard Installation/Division Personnel System
SLDCADA	Standard Labor Data Collection and Distribution Application
SLOA	
SMA	Service Medical Activity
SMAS	Standard Materiel Accounting System

Acronym	Definition
SMAS	Standard Material Accounting System
SOC	System and Organization Controls
SOMARDS	Standard Operation and Maintenance Army Research and Development System
SPS/PD2	Standard Procurement System/Procurement Desktop 2
SSAE	Statement on Standards for Attestation Engagements
STANFINS	Standard Financial System
STANFINS	Standard Army Finance Information System
STARS	Standardized Accounting and Reporting System
STORES	Subsistence Total Order and Receipt Electronic System
SUPDESK	Supervisor's Desk
SYMIS-COST	Shipyard Management Information Systems - Cost Application
TBD	To Be Determined
TFMS	Transportation Financial Management System
TFRS	Trust Funds Reporting System
TI	Treasury Index
TOPS	Transportation Operational Personal Property Standard System

Acronym	Definition
TOPS	Travel Order Processing System
TRIRIGA	(Vendor product name)
TYAD ASRS	Tobyhanna Army Depot Automated Storage and Retrieval System
USACE	United States Army Corps of Engineers
USD(C)	Under Secretary of Defense (Comptroller)
USMC	United States Marine Corps
USMCMAX	USMC MAXIMO
USSGL	U.S. Standard General Ledger

Acronym	Definition
USSOCOM	U.S. Special Operations Command
USTRANSCOM	U.S. Transportation Command
UTAPSWeb	Unit Training Assembly Processing System (Web)
VISTA	Visual Interfund System Transaction Accountability
WAAS	WHS Allotment and Accounting System
WARS-NT	Worldwide Ammunition Reporting System-New Technology
WAWF	Wide Area Work Flow
WHS	Washington Headquarters Services

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